

**DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
OUTER CONTINENTAL SHELF
POLICY COMMITTEE MEETING**

Thursday, November 1, 2001
Wyndham Emerald Plaza
402 West Broadway, San Diego, California
8:30 O'clock A.M.

REPORTER'S TRANSCRIPT

Before Janet B. White, Certified Realtime Reporter
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APPEARANCES:

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Jack C. Caldwell
Thomas Skinner
S. Cragin Knox
Lawrence C. Schmidt
John C. Harmon
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Paul L. Kelly
Jerome M. Selby
George N. Ahmaogak, Sr.
Ramona Schreiber
Mark Bellis
Nancy Johnson
Robert W. Smith
Anne N. Miller
Thomas R. Kitsos
Carolita U. Kallaur
Walter D. Cruickshank

ALSO APPEARING:

Jill S. Martin
John T. Goll
Chris C. Oynes
J. Lisle Reed
William W. Schroeder
Paul E. Martin
Aston A. Hinds
Kenneth W. Turgeon
Carol A. Hartgen

NEXT MEETING - CHAIRMAN OLTZ

CHAIRMAN OLTZ: Good morning, and welcome back to the OCS Committee Policy Meeting. We have a couple of bits of business here. I hope you all had an interesting evening. We had a great time in the Gaslamp Quarter last night. There were several people reveling in the spirit of the holiday season, and after we finished our meal and we were walking down the sidewalk, we were rather in stark contrast to the assembled multitude there. And somebody picked up on the fact that we were all dressed in suits and pointed out that we must be white-collar crime.

(Laughter.)

I thought that was appropriate.

Let me remind you of a couple of things we talked about yesterday in terms of speaking closely into the microphone. Do as I say, don't do as I do, kind of thing, about identifying yourself for the record. But do be sure that you get close enough so that people can record and can hear what we're doing.

One of the things that is important to this committee is the agenda. There are a few of us that serve on the Agenda Committee, and one of the things you'll be asked to do this afternoon is to fill out a questionnaire regarding this particular meeting and also to make suggestions about things that you would like to see considered for the agenda in the next meeting. And that is very important, and it's very helpful, and it sort of extends the reach of creativity that we have in putting together a program that is something that is appealing to you as an entire committee, so I encourage you to -- throughout the day here, to be thinking about that because we will ask you to fill those forms out this afternoon. Thinking ahead to this afternoon, if you look at the bottom of today's agenda, at the Committee Roundtable, the first item of business has to do with what the Committee needs to be doing in terms of the limited scope of MMS's OCS program here in the next five years. You heard yesterday about the 5-year program; you've heard about the politics of doing business in moratoria areas, so what is it that this Committee can do.

Now, we had some direction, some implicit direction, maybe, from the Secretary in her responses to the Natural Gas Subcommittee Report, but also, when we get to that this afternoon, this is -- this is just a forewarning to be thinking about that. What is it that this Committee can consider and keep within its Charter? There is a bit of business that we will do this afternoon concerning a Resolution. My understanding, I was told this morning, that there is a new version of that Resolution, and I think as soon as there are copies available, we will pass that out to you too. So you'll have a chance to read and digest that before we discuss it. The first item of business on the agenda has to do with the next meeting. We usually rotate meetings between the Washington-Baltimore area and somewhere else out in the outer reaches of the continent, like San Diego. We have tried to reach across to Hawaii and have failed at being able to do that. So, at least for the next meeting, we need to rotate back into the -- into the Baltimore - Washington area. My favorite is Baltimore. I spend enough other time in Washington, but it will be probably during the month of May.

If you have any major conflicts during that month that would prevent you from attending this meeting, signal that this afternoon, and we'll try to limit the amount of conflict, since we're all going to have conflicts of one kind or another. But let's look at the month of May. My vote would be for Baltimore. But we'll see. Any comments on any of that? Any questions? Not seeing any, we'd like to move into our Congressional/Legislative Update. This is always a desirous part of this program because we have a Capitol Hill insider who is very adept at trying to filch out, I guess, what is going on in the Hill. And Jill Martin is always welcome, and we appreciate you coming this morning, Jill. Thank you.

CONGRESSIONAL/LEGISLATIVE UPDATE - JILL MARTIN

MS. MARTIN: Thank you. It's always a pleasure to be here. Can you hear me? Is there feedback, or do I need to move further? Okay. I see a thumb up, so I think I must be doing okay. When Dr. Oltz says a Capitol Hill insider, I have to be honest and say that I have not been up on Capitol Hill since September the 11th, and I think that if you polled most every other congressional liaison in the Department of the Interior -- albeit probably the government -- you would find very few that have been to the Hill since September the 11th. So what I'm going to tell you is what, you know, obviously, I have been able to glean from sources up on the Hill and from the various rag sheets that come out that keep up with the various goings-on of Capitol Hill. I see by the Agenda that I have about 15 minutes to do this, and I told Don Oltz -- I said, "I will try to get through this in 15 minutes. If I take a little bit longer, please bear with

me." I will focus my remarks on three basic issues: Comprehensive energy legislation; OCS impact assistance legislation; and Fiscal Year '02 appropriations issues, mostly centering on OCS moratoria legislation or issues that have come out of that bill.

But I think I would be remiss if I didn't step back first and talk a little bit about the 107th Congress. And needless to say, I think that, by any measure, anyone who thinks about the 107th Congress now or in the future will know that it is not one that we will likely forget. In the span of five months, this 107th Congress, who's barely halfway through its session, has had two rather transforming events happen to it. The first you may not be as aware of as the second, but I think it's very important to put things in perspective. And that is, that in May of this year, a rather Maverick Republican Senator from Vermont, Senator Jeffords, decided to change his party affiliation from Republican to Independent. And what that did was set off no less than a seismic shift up on Capitol Hill, particularly on the Senate side, because the Senate had been evenly split. But because of the way the votes are counted with the pro tem on the Senate, the Majority Leader Pro Tem, the vote count was with the Republicans; they were in the majority. When Senator Jeffords changed his party affiliation, that changed, and the Democrats became the majority party. So, this power-sharing arrangement that they had managed to work out the first three or four months of the session suddenly went away. And with it, the chairmanships changed, the committee allocations changed, the priorities changed, the legislation changed, the agenda changed. And that affected very much a lot of legislation that was in the channel, so to speak, including energy legislation. The Senate has a totally different focus now on energy legislation than it did prior to May. And that is reflected in Mr. Bingaman's bill. That's 597.

The other thing that happened, obviously, as we well know, is the events of September the 11th and their aftermath. And I don't think I can emphasize enough how much that changed things on Capitol Hill. It changed it for all of us, but -- and in a sense, think of Capitol Hill as a microcosm of this country, and it affected it in a very physical way, as you well know. They had to evacuate the Capitol on September the 11th, and then when Mr. Daschle received the letter with Anthrax, it closed down the Capitol for a while, and certainly it's even kept office buildings up there closed for a lot longer than people ever suspected, and certainly the Anthrax threat in reality up there is greater than anything suspected, because there is a lot more buildings and locations affected. That has affected physically the way they can do business. But the other thing that it did, really, was I think twofold: It certainly shifted their focus from what they were looking at prior to September 11th to post-September 11th, and the kinds of legislation that was important September 10th suddenly took a backseat to the realities of September the 11th. So things like energy legislation, which was moving along -- even though it wasn't moving as quickly in the Senate as some would have liked -- suddenly became a second-tier issue at best. And this focus has now shifted to counter-intelligence, counter-terrorism, homeland security, and economic recovery, because, among other things, as you well know, what this event did was not only a terrorist act, but it also further undermined our economic recovery that we were hoping we were undergoing.

So now Congress has totally shifted its focus to those kinds of issues and, in the meantime, they are trying to do business literally out of briefcases and in broom closets and off site because they can't get back into their buildings, their office space, some of them, to do business even though the Capitol is open. So, the Capitol is functioning, but that vast morass of staff and agencies and things like that, that you need to support the business that goes on, on Capitol Hill, has truly been disrupted, and I think it will be for some time. The other thing that -- that I think happened up there was certainly it turned what had kind of been a bickering, bipartisan Congress up to that point into not just a bipartisan Congress, but a nonpartisan congress in terms of the things that it wanted to get accomplished; again, turning to homeland security issues, aviation security, infrastructure security, counter-terrorism laws, things like this, economic stimulus package.

These are the things that currently either that have been passed by Congress in a very short period of time or that will be passed by Congress prior to them getting out. Now, the question is when are they going to get out? I don't know. They have a continuing Resolution that, you know, kind of funds the government until they get through with the government's business, until November 16th. And I think the general feeling is that they would like to be out by Thanksgiving. So here we are at November 1st, and, you know, you have 15 days, theoretically, to get your business completed unless you give your self some more time, but I think the general consensus is we will -- we will see them wrap up their business in the next three weeks, probably no longer than the next three weeks. So where does that put it in terms of legislation that's of interest to MMS? Well, the first is the Comprehensive Energy Legislation and, as Walter Cruickshank said, the Senate very likely will not pass Comprehensive Energy Legislation this session. Senator Daschle, who is the Majority Leader now, has basically said, "Yes, that is second-tier legislation.

What is really important to the Senate right now is getting all 13 appropriations bills conferenced and passed and sent to the President; getting an economic stimulus package through; probably finalizing aviation security -- which I understand they're supposed to vote on tonight; and maybe some fast-track trades authority, but my guess is that may not happen either. I don't know. So, those are -- those things are kind of hanging out there, so energy probably will not be taken up until the beginning of the next session sometime in probably, you know, February, March is when we'll probably see these things start moving. Now, energy certainly is high on the administration's priority list, and there has been a steady drumbeat over the past couple months from the Secretary of Interior, from the Secretary of Energy, from the President himself, from his Legislative Staff, saying to the Congress, "We need, we want, we have to have an energy bill before we leave." Now, as much as the Congress has worked closely with the President on a lot of these issues that I just discussed, I just don't see the Congress getting to the point -- or the Senate -- of passing an energy bill at this particular point in time.

There are too many contentious issues that are still out there with regard to an energy bill. And, of course, one of the most contentious is the ANWR provision. The House passed a bill that had ANWR in it. The Senate, probably before May, when the majority party changed, would have gotten maybe a bill out of committee or either onto the floor that may have had a ANWR provision debated. But when the Democrats took over, the Democrats made it pretty clear that there is not going to be an ANWR provision in any bill that they put together, among other things. And so, as the events of September 11th unfolded, and energy still was a high priority, the Senate Energy Committee was still thinking about marking up a comprehensive energy bill. But, once September 11th happened, and they wanted to kind of come together in this bipartisan fashion to pass legislation that they needed to pass and to look like -- and to give a united front -- which I think, quite frankly, was very important to this country to present a united front -- they did not want to address legislation that would be divisive.

And the Majority Leader, I think, determined that energy legislation, the way it was going, was going to be divisive, and he didn't want that. So, he asked Senator Bingaman to put together an energy package that could be possibly ready for the Senate floor prior to them getting out. Well, as Walter said, Senator Bingaman is still working on that legislation because, in addition to not having, again, you know, staff and office and things like that -- the things you take for granted when you try to put together a bill -- he is also working with three other committees of jurisdiction, and I hope, you know, trying to pull together a fairly comprehensive package.

Because of overlapping jurisdiction, that's a little bit more complicated than just a single chairman trying to move a piece of energy legislation. The Republicans would probably tell you different; that energy legislation is not going to be moved this year because they had the votes for ANWR in committee; they didn't want an ANWR vote; they didn't want a divisive floor issue, and so ANWR is probably what killed energy legislation for this year.

Who knows where the truth lies? But the fact is, is that I don't see -- I don't think we're going to see it this year. I think what they will turn their attentions to and probably will get passed is energy infrastructure security legislation, looking at tightening -- getting money for energy infrastructure purposes, making sure that those are safe from possible terrorists' actions. I think that bill probably will move. The second thing is OCS moratoria and our FY '02 appropriations process. MMS, again, I think, did very well in its appropriations process. It got basically the monies that it was asking for to carry on the activities that the Administration and the Congress obviously deemed to be important activities, and that is going about the business of providing a portion of energy for this country. And so our budget reflected that.

In terms of the moratoria part of our FY '02 bill, the bottom line probably is pretty much that the moratoria that have been in effect for the past few years got rolled over again, so we're basically looking at the same areas being under moratoria that have been under moratoria for the past number of years, and that are part of the Presidential withdrawal. Now, that's not to say there weren't a lot of permutations along the way. If you look back and you read through the pages that I put together for the OCS Policy Committee Booklet for you all, you will notice that on the House side, Senator -- excuse me -- Representative Scarborough and Davis were instrumental in delaying Lease Sale 181 until April of 2002.

It wasn't even that close a vote, interestingly enough. So they were successful in making sure that that sale got delayed. So when the bill went over to the Senate to be considered, the question was, "What was the Senate going to do?" And to put this in some kind of, you know, chronology, I guess, the bill went over about the time that Secretary Norton

decided to significantly reduce the sale size of 181, taking it from about 6 million acres to about one and a half million acres, eliminating that portion off of Florida, and basically keeping it about a hundred miles or so off of Alabama.

So, when the bill went over to the Senate side, the Senate basically left the moratoria language the way it originally had been; that was, no money shall be expended to, you know, hold a lease sale outside of the Sale 181 area. That was not good enough for Senator Nelson from Florida, so Senator Nelson offered an Amendment on the floor to basically parallel the Amendment that Representative Scarborough and Davis were successful in getting on the House side. Interestingly enough, that Amendment was tabled on a fairly significant vote, meaning it failed 67 to 33. So, here on the House you have a fairly significant vote one way, and on the Senate, you have a fairly significant vote the other way. And then, of course, the events of September 11th happened, and maybe even without those events, what ultimately happened was that the sale language stayed the same as it always was. And that is, that the Department can move forward with the sale, can hold it in December, and the Sale 181 area will be the area that can be offered; nothing outside of that area.

There is one other small tweak that happened on the Senate side that ultimately got incorporated into the Bill, and that is that Senator Kerry from Massachusetts was instrumental in getting the word "Pre-lease" added to some of the restrictive language in the Appropriations Bill, that part of the language that dealt with areas pretty much that were under administrative withdrawal. And so there is four sections of the bill that deal with various moratoria: Section 107 is that section that references President Clinton's withdrawal actions and so now, every section of the moratoria provisions in the bill basically prevent the Department from undertaking pre-lease, leasing, or related activities. So now everything is kind of equal. And I think that's what Senator Kerry was hoping to do, was bring some parity there. The third thing that I'll mention briefly is OCS Impact Assistance Legislation, because I know this has always been of high interest to this Committee, and from the discussions yesterday, obviously, it's still of high interest.

And as you recall, last year, Impact Assistance Legislation, I think. Had a lot of legs; you know, there was even a chance that we were going to see some freestanding legislation. At the end, it was rolled into both the Department of the Interior Appropriations Bill and a Department of Commerce Appropriations Bill. The Interior Bill kind of set up the basic program, and then the monies for OCS Impact Assistance, which was 150 million, were basically funneled through the Department of Commerce's Bill. And the Department of Commerce has spent, I guess this past year, basically, putting out -- putting its program together, getting plans that states, and will, I guess, at some point in the next few days or weeks, be distributing to the seven coastal states the monies, the 150 million dollars, that was set aside in the Fiscal Year '01 Department of Commerce Appropriations Bill. So that now those states will be free to use those monies. The bad news is that, unfortunately, neither the Administration nor, to my knowledge, the Congress has added any monies or requested any monies for '02, for Impact Assistance under that program that was set up last year.

So, while on the one hand you get money this year, you have no guaranteed income stream which was -- which was, I guess, one of the major components of CARA legislation, and that was that you had kind of this permanent, definite appropriation, at least, for a number of years that would guarantee the producing states a certain level of income that they could depend on. So, now we see again, last year you get some; this year, it looks like you're not going to be getting some. And I am -- I have to say that, given the monumental shift that occurred September the 11th, and the fact that this country is now probably going to be going into deficit spending for the next few years, to deal with all the kinds of things we need to deal with as a nation, that probably Impact Assistance Legislation will be even harder to pass, because it will have a cost to it. That's not to say it will be necessarily impossible, but it will be, I think, very, very hard to pass.

That certainly hasn't stopped folks on the Hill who believe very strongly in Impact Assistance Legislation, like Mr. Murkowski, Don Young, Senator Landrieu, people like that, who have basically reintroduced these bills, and even on the House side, an Impact Assistance Bill has made it out of Committee. And it is very much like the bill that passed last Congress. But its status is uncertain at this time. I couldn't even begin to fathom or tell you what I think might happen to it, so I guess we'll just have to kind of wait and see. With that, I think I'll probably -- oh, let me just mention one more thing because Senator Landrieu did introduce a bill fairly recently. It's called the Energy Infrastructure Security Act. It's Number 1592. And again, you can tell this is kind of a post-September 11 title and bill. And what this bill basically does is it takes 50 percent of all OCS oil and gas revenues and puts it into this Energy Infrastructure Security Fund. 70 percent of that fund would go to the Secretary of Energy to provide assistance to states in terms of implementing state energy infrastructure security plans.

And I think they calculate that at about 1.6 billion dollars. You know, 30 percent of the fund would go to the Secretary of the Interior to basically dole out to the seven producing coastal states for energy infrastructure security activities in their coastal zone, and that would probably equate to about 675 million if you looked at, say, FY 2000 dollars. Now, 60 percent of that money would be shared equally by those seven coastal states, and then 40 percent of that money would be based on proximity to production. So, in a sense, the other thing that I think is important here is that the funds can be used for activities that basically secure energy infrastructure securities facilities in the coastal zone and support any necessary public activities that are needed to maintain safety and to basically, you know, ensure the generation of the infrastructure. Now, restoration of Louisiana coastal wetlands, as specifically articulated in the bill, as being an acceptable use of the funds. So, in a sense, what we're kind of seeing is a little bit of an OCS Impact Assistance theme running through this, although it definitely has an energy infrastructure focus.

Again, I'm not sure what's going to happen with this bill. We may or may not see some movement, but it's doubtful that it's going to be anytime real soon. So, with that, I think I'll wrap it up, and, you know, take any questions, if there are any, from folks.

CHAIRMAN OLTZ: Thank you very much, Jill. Are there questions for -- Mr. Kelly.

MR. KELLY: Kelly, Offshore Support Industry. Jill, going back to your comments about Senator John Kerry's action with respect to pre-leasing activities, I don't know how many of the -- of the members of the Policy Committee are aware of the excitement that our action -- that the action that we took at our last meeting caused on Capitol Hill, particularly with respect to the pilot projects that we talked about and recommending funding support for MMS to work with the states and local governments on -- and to gather some seismic data to look at the possibility of whether there might be some pilot drilling in moratoria areas.

But, when I read about Senator Kerry's action, I wasn't certain whether that action was directly focused on what we did; whether, by making sure that there wasn't funding for pre-leasing activities, he was really aiming at the kinds of pilot projects we were recommending, and so what I would like you to -- maybe you could tell the Committee about anything else that happened as a result of our Resolution concerning the recommendations of the Natural Gas Subcommittee at the last meeting and whether or not Kerry's action might have been something to do with this.

MS. MARTIN: Well, I have to be honest. We didn't talk to Senator Kerry's staff, so I'm only probably speculating here, but I think there were a number of events that were occurring: You had a new administration coming in; you had people wanting delegations as well as, you know, members from various states wanting some kind of reassurance on OCS moratoria issues, where the administration stood with that in terms of the presidential withdrawals. You had obviously the Resolution that came out of the Policy Committee that was being considered by the Secretary that I think, quite frankly, was probably misunderstood by a lot of people, simply because I think sometimes when you say the word "OCS," and no matter what you put before or after it, it raises a red flag with people.

So I think, yeah, certainly your actions may have had something to do with that. And I think what -- what this does, really, when you put the word "pre-lease" in front of this, just like you did with the other sections of the moratoria, pre-lease is one of those words that is specifically related to lease sale-related activities, which means you have to have a lease sale on a 5-year schedule before you are prohibited from undertaking any, quote, "pre-lease activities," like calls for information developing EISs, things like that. So I think Senator Kerry was just wanting to make sure that his part of the world was covered like everybody else's part of the world. And who knows what he may have ultimately wanted out of this, but, obviously, I think the word "pre-lease" must have satisfied him in the end. So, given that there are no lease sales, you know, in this 5-year plan, nor are there any planned in either the Mid or the North Atlantic, the word "pre-lease," in a sense, does not have any kind of effect on us as an agency in what we do.

But if it gives people a certain comfort level, then probably that's a very positive thing from his standpoint. The other thing, I think, that was going on was, like Carolita mentioned earlier -- was putting out in "Commerce Business Daily" this request for bids on doing the contract for the synthesis study; that people certainly misunderstood what that could mean because, again, the word "OCS" was tied to it. And it's almost this feeling of, whoa, it's -- you know, the camel's nose under the tent, you know. If you even want to do a study, then what are you going to do next? Are you going to lease or explore or drill without us having any kind of input or say into it? So I think it was just a combination of a lot of things. Certainly the Policy Committee recommendation was one of those.

CHAIRMAN OLTZ: Bruce.

MR. VILD: Vild, Rhode Island. The pre-lease prohibition that you are talking about would not apply to the environmental studies program, would it?

MS. MARTIN: No, it does not. It specifically is very lease sale specific.

CHAIRMAN OLTZ: Mr. Caldwell.

MR. CALDWELL: First I want to commend Jill on her very accurate and perceptive report on what has been going on in Congress with reference to coastal impact assistance and the other matters. Particularly, I would like to say it was my honor to work on the Energy Infrastructure Bill with Senator Landrieu and her staff, and on behalf of the State of Louisiana, I want to express a deep gratitude to the Department of Interior and the staff who worked with us on that bill in the Energy Committee while it was there. But before anything could be completed and worked out in Committee, Senator Daschle took jurisdiction.

MS. MARTIN: Right.

MR. VILD: But I will never forget the help we got from the Department of Interior at all levels, and I wanted to express that for the record.

MS. MARTIN: Thanks.

CHAIRMAN OLTZ: Thank you. Thank you, Jill. I appreciate that.

MS. MARTIN: Thanks.

CHAIRMAN OLTZ: We have a panel upcoming on a review of the MMS different regions John Goll, Chris Oynes, and Lisle Reed coming to the panel. John, did you draw the short straw? Are you the number one man?

MR. GOLL: I guess they always go alphabetical, or by size, at least area wise.

CHAIRMAN OLTZ: Go right ahead, John.

MMS REGIONAL UPDATES

ALASKA REGION - JOHN GOLL

MR. GOLL: My name is John Goll, and -- where is the clicker? I'm the Regional Director with the Minerals Management Service, Alaska Region. And I'll be giving you, again, an overview on some of the activities that are occurring up in the north part of the country. I always, again, put up this here just to put things in perspective. You saw a lot of these graphs yesterday. Production from the North Slope going through the TAPS line has leveled off at around 1 million barrels a day, again down from a high of 2 million.

But, again, this is a good reminder of how much things have decreased up there. And the goal is to try to maintain this level up here to at least level off, and, you know, that's one of the goals. Today I'll be going through a number of topics, looking at Northstar, Liberty, and some other projects around the state, and talk a little bit about our 5-year proposals, some help we're giving the Bureau of Land Management on NPRA, the gas line, minerals, and a whole number of things, but try to do this relatively quick. The -- again, putting things in perspective with regard to the North Slope, in whole, and the offshore program, this map is not totally up to date. Last week, the State of Alaska did have a lease sale on the North Slope of -- state leases are in yellow here on this map. So there is some that have been relinquished and some more that have been picked up, but it is fairly -- it's fairly close to, you know, what we have.

Just quickly, to orient, the yellow, again, is State of Alaska leases. The coastline is roughly here (indicating), so, as you can see, between Colville River, which is the border of the Arctic National Wildlife Refuge and -- pardon me -- the Canning River and Colville River over here (indicating) which is off of the National Petroleum Reserve. Pretty much

all of the state waters have been leased. There -- again, I think there are some holes that have been relinquished, but this is pretty close. The push has been more to the south. There is some of these new leases here (indicating), which are in red on this because of a recent sale -- last year, actually, this -- this is the one I think from last -- pardon me -- last year earlier. There has been some companies interested in coming towards the Brooks Ranch for gas. In the National Petroleum Reserve, again, the sale occurred in this area (indicating), and the green here is Arctic Slope Regional Corporation leases, which is the native corporation of the North Slope.

Over here in ANWR, and I believe there is a few here north of Nuiqsut. With regard to our offshore leases, we have the lowest inventory we've had, I think, in our history. We're down to somewhere in the 60's with regard to leases, so it's primarily, again, these few here off of Prudhoe Bay and that area. I'll talk a little bit about Northstar. Again, here is Prudhoe Bay and Northstar, which is a State of Alaska Federal Joint Project. The project itself is within state waters. And I've briefed you before on this. I can say now that the island was completed. The production modules were sea-lifted this past summer, and wells are being seasonally drilled because of the clean-up issue connected with broken ice. BP agreed to only drill during the solid-ice season, not during the summer, and not when the ice was broken, so it is slowing things down a little bit. But they are any day now, as Tom Kitsos mentioned yesterday -- we are expecting the first production to start. The modules were built in Anchorage, which, again, was a very good economic stimulus for the State of Alaska.

And major parts, including the pipeline, were built by subsidiaries of Arctic Slope Regional Corporation, which, again, is the native association up in the North Slope. Briefly, on Liberty, which is the second development project that we are now reviewing, it is just about six, seven miles to the east of Endicott, which is another offshore facility in state waters, which has been producing for about 15 years or so. It is within the Barrier Islands and relatively shallow waters, unlike Northstar, which is beyond the barrier islands. And, as I've mentioned at other meetings, we have been doing an Environmental Impact Statement over the last, really, three years we've been working on it, and we're aiming towards to wrap it up. There is a number of issues, of course, connected with the pipeline, the island itself, the Bowhead Whale issues, and other things of that nature. The Corps of Engineers and the Environmental Protection Agency are cooperating agencies, and then the Fish and Wildlife Service and the National Marine Fishery Service, the State of Alaska and the North Slope Borough have all been participating and have seats at the table for this Environmental Impact Statement.

We are hopefully in the last throes of completing the final EIS. We received thousands of comments again, as mentioned yesterday. With the 5-year plan, there were certain e-mails that we received that all read very much the same from different groups. And we're now going through all the comments that we've received, and we hope to have the Final Environmental Impact Statement completed by February-ish, you know, in that time frame. One of the things I did want to mention -- I don't have it on the slide -- but for both Northstar and Liberty, we are doing monitoring. We have several environmental studies that are going on in those areas to try and assess the cumulative impacts that might be happening and to watch the monitoring so that we know what's going on at the two sites. We started these projects before Northstar was in, and definitely, of course, before Liberty was in.

The North Slope Borough is represented on the Scientific Review Board of these studies, and we again look to using those things to make sure that the activity both at Northstar and Liberty and any future development again will be done safely and that we know what's going on. The -- likewise, British Petroleum is doing noise studies for Northstar through the National Marine Fishery Service requirement for their incidental harassment authorizations. They are essentially doing monitoring to assess, again, are the whales being affected as they migrate past the Northstar site. One other project that I was going to mention at our meeting last time, but then we got preempted due to other things, was the McCovey Project, which is an exploration activity beyond the barrier islands and near Cross Island, which is the area where the whalers from Nuiqsut base their whaling. So it's, again, north of Prudhoe Bay beyond barrier islands. And last year, Phillips Alaska proposed to drill from this site from an ice island, and that did generate some controversy whether that was safe or not, and some of the issues connected with the areas beyond the barrier islands and the safety on the ice.

Some of these pictures were taken at the time the drilling would -- was planned to have occurred they planned to do the drilling in the winter again to avoid the time that the Bowhead Whale is going on, and essentially, things -- more things are done in Alaska in the winter than they are in the summer, again because of the ease of getting materials out to the islands via ice roads and things of that nature. But, as I mentioned, it was near Cross Island, so, it also went through a Coastal Zone Consistency Review, and some of the issues that come came up there, Phillips decided to postpone the

project, or in a sense, not totally withdraw it, but -- let's see if I can switch to the next one -- I think we died for a second. So, what is planned now is Alberta Energy, who was also involved in this project -- Chevron was another partner in this -- planned to take over as the operator and to bring in what's called the SSDC, which is a state converted tanker that is ice-hardened that was used back in the 1980's and the early 1990's to drill up here in the Beaufort Sea and some other areas -- I think the Chukchi Sea also, they have started again discussions.

There will be meetings, informal meetings, over coastal consistency and things of that nature but probably, again, to refurbish and make sure that this thing is in good shape this winter, with the plan to do this exploration drilling in the winter of 2002-2003. They would be able to start earlier in the season rather than later, so, again, to avoid a lot of the breakup issues that were brought up for the ice island. I have not been able to talk about activity in Cook Inlet, I think, since I became Regional Director five years or so ago, but there is a proposal again by Phillips Alaska with Anadarko as a partner to drill from onshore in Cook Inlet, into a structure that goes both within state and federal waters. The location would still be within state waters, but there is a proposal that -- to again unitize this area to have an exploration unit. The well was spudded, and I think two weeks ago or so, and we'll all be looking forward to the results of that. There has been a little bit more activity in Cook Inlet in state waters. Forest Oil, I think this is the area that they actually found a 50-million-barrel field that they think even may be bigger. And then, of course, people are still looking for natural gas in Cook Inlet to power Alaska and the Kenai Peninsula and some of the industries there. I'll get to that in a little bit. The -- what we're planning for the 5-year -- you heard a little bit of this from Ralph Ainger yesterday, but if I can maybe go into some of the reasons why we're looking at some of the things. The main thing, I guess I'd like to say, is to keep options open for -- you know, we've heard everything yesterday about the state of oil, gas and other energy in the country, and Alaska still has tremendous potential. It's -- again, it's some difficult areas to produce, but the expectation as that it is there, both oil and gas. And both on a national level and a local level, we have the opportunity, if it's needed, to, again, perhaps in the future be able to produce some of this both oil and gas.

And one of the recommendations from the Policy Committee was to try to get more emphasis on local use, and that also went into some of our thinking in designing some of the sales. For the Beaufort Sea, as we mentioned, we do plan to do -- follow what the Gulf of Mexico does, of try to do one EIS for the three sales. In fact, the National Environmental Policy Act encourages that for projects that are the same, to do one EIS, and then use that for your later decisions. We would still be going through Coastal Zone Consistency Review for each sale; we would still have public review and meetings and things of that nature, but it would be based on one EIS. Of course, If something major changed, we could do a supplemental EIS, if needed, for the second and third sale. Likewise, we plan to do the same for Cook Inlet where we are planning two sales. The Chukchi Sea, right now there is two sales proposed there. It's a combination of perhaps oil and gas, but there is, again, good gas off the coast -- again, if at some time the localities or others may want to use that in the future, but of course it's a lot more challenging up in this area.

We're -- we have a new idea that we're trying to foster in Norton Sound. And we've met with the community there and actually had a positive response, which, again, sometimes for MMS, it's -- it's a strange thing when you go into a place and they actually like to hear what you're talking about. There is, again, expectation that there is natural gas here in Norton Basin (indicating). And what we are trying to do, we're proposing an approach where we would not automatically go out and start the sale process, but, rather, have a company come in to us -- if they are interested in exploring this area, come in, and then we would base the sale on that. Maybe it's a little similar to what was being talked about for the sand and gravel program. The response in Nome, which is here on the North Coast, is they are very interested in that because all the villages here (indicating) in coastal Alaska rely on diesel oil.

It gets pumped in -- or pardon me -- it gets barged in once a year, and they have to rely on that, and it's extremely expensive. The economics of some kind of development here in Norton Sound may still stretch somebody picking up the gauntlet to do this. But the idea is out there, and we do need a champion, you know, some company to come in and see if something economically can be worked out and with the community. Just briefly, our office will continue to be helping the Bureau of Land Management on the next national petroleum reserve sales. Presently there is exploration roughly in this area (indicating), and there is some talk of the first development plan coming in within a year or so for production from NPRA. BLM is planning a second sale in this area (indicating), where the Environmental Impact Statement was done two years ago, and they are also starting the process for a sale to the west of the area that was done before, and we will be helping BLM out in preparing the Environmental Impact Statement for that sale.

Just a couple other miscellaneous things: Again, I think as a respect to the expertise that our office does have with regard to pipelines and other engineering issues, we did join and were accepted by the Joint Pipeline Office and are

now a member of it. It's, again, made up of agencies within the State of Alaska and federal agencies that are involved in pipeline issues. One thing we do bring to the table is our TA&R program, with the research associated with it, and again, passing information back and forth they really appreciate us being there, you know, again to have that link with a lot of the resources that we have. I even mentioned the great staff that Chris has, you know, in an emergency perhaps, if we -- you know, at least we could tap talking to people and understanding some of the pipeline issues. Because what's going on in the Gulf is very similar to some of the things that we're starting to see in Alaska with regard to different pipeline issues. I will mention this, but I don't want to go into detail on it, because I've mentioned in past meetings: One of the great debates going on in the state, in Canada, in the country, is the National Gas Pipeline to bring down production from the North Slope.

There is several competing routes. Even within the state here, there are several competing ideas: LNG; just gas line; gas to liquids, a number of things, and this debate will probably be going on for a little while longer. Hopefully, again, we will -- this will become economic and there will be some bringing down in some form natural gas from the North Slope, because it's of great importance to the State of Alaska and of course to the country as a whole. Oh, just one side note. You read things about this, and they talk about it -- this could be the largest construction project in the world, potentially, depending on the route. And the amount of steel is -- I guess there is not enough steel produced definitely, I think, even worldwide to be able to do this, so there is going to be some great challenges. And we've always talked about staffing and construction. This could suck up all the construction projects, you know, up in Alaska, so there is going to be, you know, with regard to staffing this thing, there is going to be some major hurdles to get through, it just - with the magnitude of what this project could be.

Another interesting sidelight is on the mineral side. A couple years ago, the University of Alaska Fairbanks had a marine mining that should have been an hour up there -- research center which was doing some work with regard to gold-mining issues, again off of Nome, and they -- I guess if the President signs the Interior Appropriations Bill, this will come back to life. And they plan to do a number of work, again, more continuing work on better methods for gold-mining here in the Nome area, things that are more environmentally friendly rather than huge dredges, different approaches to this. And they have also been doing inventory work with regard to, you know, the gold amount off the coast there. Another interesting thing: Last winter, a number of us were visiting some of the villages on the Chukchi coast up here. I think that it was in January or so when the weather is nice and you can fly into these places. We were hearing, of course, about the erosion problems that were occurring. There is several villages here that are right on the coast, and they're essentially eroding away.

We had visited Kivalina and Shishmaref is a very famous one. When we were in Kivalina, they were interested in hearing more about our gravel program because they were looking for a source to move their village. It turned out in the end, the Corps of Engineers has found an onshore source in their local lagoon that they will likely be able to use, but in talking with the Corps of Engineers, there is another possibility in the future that, again, if communities need the gravel and cannot find a source onshore, that the offshore may be another source for some of these villages. And we're really talking about survival of the villages, moving them from where they're located to another site inside, and that does take a good deal of gravel and such. So we have been working with the Corps, and UAF -- University of Alaska Fairbanks -- may also be doing some of that work, again, to see the feasibility of this within this Mining Research Center. Again, I use that the term the option; may be there if it's needed for the gravel.

Finally, one of the things we have done, of course -- we've had hearings up on the North Slope for the last 25 years, and, through that time, there has been a lot of testimony from the people who have lived up there. And we had -- I mentioned at previous meetings, we've set up in Alaska for the Department of Interior, what we call the Instep Program, which is a program to bring more native Alaska students into the federal government. And the program has been pretty successful over the last two years. I think about two thirds of the students that have gone through that program, that's associated with the University of Alaska Anchorage, have gotten more permanent positions within the federal government, which is again the goal of the program. We had a student this summer who was from Northwest Alaska, and what he took on was to take all those hearings and put them onto a CD which -- is not really a simple task, because it involves a lot of the reading and the proofing and so on. We took this up when we were up on the slope two weeks ago, and have distributed a number in the villages.

Yes, it's important for what the hearings were, but it was also very enlightening with regard to the history and the testimony and the mentioning from many of the elders -- many of who are dead now -- you know, that were testifying back in the '70's with regard to how they whale, how they hunt, and a lot of the traditional activities up there. The

school system, some of the people we talked to up there, are going to be very interested in this, again, because of the history of the people up there. So, we have these available and are making these things available, you know, by CD, just sending up, again -- great numbers up to the slope. So, I think I will finish there. That's the end. So whether to take questions now or wait until --

CHAIRMAN OLTZ: Let's defer the questions until we've got through it all. Chris, I think you're next.

GULF OF MEXICO REGION – CHRIS C. OYNES

MR. OYNES: Mr. Chairman, I guess, first of all, they are going to take a second here to load my presentation which conveniently fits. There are two things that I didn't have slides on that I wanted to mention. First of all, probably to go back to one of the first speakers, in terms of what's the current price situation and how that affects some of the economic activity in the Gulf of Mexico, it's very noteworthy to -- while we keep talk probably at every single meeting about all the deep-water activity and new deep-water production, the shallow- water activity, which is the mainstay of the production in the Gulf of Mexico, is extremely sensitive to where the price is. And right now, the price of natural gas is probably in the low two-dollar range versus about five sixty a year ago, and, as a result, drilling activity in the shallow water in the Gulf of Mexico right now is about 50 percent lower than it was a year ago. And we tend to lose sight of that, so I just wanted to bring that to the Committee to, if you will, reemphasize the point of how our future drilling, our future production efforts are tied heavily to people's view of the price scenarios and the current price.

The second thing I wanted to bring to your attention before I got to my slides was that you recall that we had the mandatory, congressionally-passed, royalty relief for deep water for a five-year period. When that first started, of course, we hit an explosion of leasing, and the Committee has heard statistics on that ad nauseam. When we were first in the beginning of that, MMS held an Environmental Studies Conference in 1997 to try to assess what environmental information we needed to continue to procure, and what to focus on first as deep water activity -- not just leasing, but exploration, development continued to unfold. We had a successful conference back in 1997. Anyway, the point of this is that MMS is now planning in May of 2002 for a 5-year review, if you will, of this deep-water environmental information. And where do we go from here? What are the new sets of problems and questions that have come up? How do we focus what our research needs are? And so this, if you will, five-year look-back and five-year assessment of where we are I think will be helpful in terms of trying to set the stage for further evolution of the deep-water activities.

Anyway, that will be down in New Orleans in May of 2002. Certainly any of you are most welcome to attend, and I believe it's planned for two or three days -- I believe it's two and a half days if I'm not mistaken. On to my slides: A couple of these have been talked at by a couple of the other speakers, either Director Kitsos or my boss, Carolita Kallaur, so I'll move through a couple of these pretty quickly. First one, these are the kinds of topics I wanted to talk about today. As we get to the last three subjects, those involve areas in the Eastern Gulf. So, first of all, the Western Gulf of Mexico sale -- and you already heard the statistics about that -- it was a pretty good sale in terms. In terms of the Western Gulf of Mexico, it was the fourth largest in the last ten years for the Western Gulf of Mexico, and we had pretty good participation by the companies.

We also had an issue arise where some of the activity that was predicted and analyzed in our Environmental Impact Statement, Offshore Alabama, because of Lease Sale 181, was of some concern to the State of Alabama. And so there was quite a flurry of activity to discuss what are the real risks and questions involved in oil spill, potential oil spill risks, from holding that lease sale, and the oil spill question in general. That led -- after a series of dialogues -- led to MMS working with the State of Alabama to conduct an unannounced oil spill drill. You may recall that MMS routinely conducts unannounced oil spill drills. In the Gulf of Mexico, we do about 20 of these a year. This particular one, though, was to simulate a substantial hypothetical spill off Alabama, and to basically illustrate, with the state officials, what exactly was involved in responding to the spill; how the companies were set up to respond to a spill; how the equipment was or could be mobilized; and illustrate, you know, what are potentially risks and what aren't potential risks. So we had a spill on September 5th of 2000 at 3:30 in the morning. We arrived at Unocal's facilities in Texas, and knocked on the door, and said, "You have an unannounced oil spill drill and you have 1500 barrels in the water."

We proceeded the rest of the morning to observe the company's response to that both at their headquarters, when our personnel arrived there. Also at the docks, as they started to load up equipment, this was an actual deployment. We don't always -- in fact, rarely -- conduct actual deployments of equipment; we usually do table-top exercises. So,

actually running, putting material and equipment in the water probably cost Unocal about a hundred thousand dollars to go through this drill. Like I said, it was a very strong cooperative endeavor with the State of Florida and actually quite a few other agencies: The Coast Guard, many state and local officials were involved, about 20 Alabama State and local officials were on the trip to observe all of this. We have also -- moving quickly to another area -- recently issued a new port study. This is important because of the ports are the focus of a lot of the activity supporting the offshore oil and gas industry, particularly the deep-water Port Fourchon we talked about at length.

This new study is aimed at -- the three ports are Port Fourchon, Port of Iberia and Port of Morgan City -- we will continue the study through December of 2002 -- and if I can get this to reverse, since I had my slides -- there we go. The study is on supply logistics of OCS oil and gas development and dealing with the technical and economic parameters of the ports. This is basically trying to look at almost like a second level of exactly what is going on in the port and look at specific routings and types of materials that are brought into the ports, getting into a lot more detail than we have normally done in our port studies. And we're going to analyze the logistics of the offshore oil and gas supply and the fabrication system. Like I said, this study is already awarded and would be due results at the end of 2002. You may recall at the last meeting I mentioned this -- and I have an update slide that I will get to in a second -- to give you a little bit more what was involved in this.

It is important to say that our resources -- and what I'm saying here when I say resources is undiscovered resources; they haven't been found yet, as opposed to our reserves, look promising in the Gulf of Mexico. We issued our new update assessment where we predicted that there were 71 billion barrels of oil equivalent, to be found still, in the Gulf of Mexico, in the central and western -- I'm sorry -- central, western and eastern -- versus the 65 billion barrels that have already been produced or are in the status of reserves right now. Another way of stating this is that we have, we believe, as much oil and gas remaining in the Gulf of Mexico than we have already found and produced in the Gulf of Mexico; we're only halfway is one way to state that. This will give you some idea. This is not the total sequence of things, but it gives you some idea of what might be driving some of these things. So, as an example, here are some deep gas completions, greater than 15,000 feet, that have given us new geologic data upon which to predict and assess the resource potential; that there is additional deep gas resources -- not reserves, resources -- that is out there.

So that kind of drilling activity has driven up that part, that piece, of the entire national assessment. The other thing is these Miocene Turtle Trends -- Crazy Horse, Mensa, and Pluto, which are in that trend -- have substantially -- this is one of the larger contributors to our new numbers, our new resource numbers, these turtle-type structures. Turtle is a geophysical, geologic type of way of looking at these hydrocarbon structures. And we expect that this particular trend goes over into the Eastern Gulf, into the Sale 181 area, and therefore is one of the reasons why we're most excited about that area in the next upcoming lease sale. Another possibility, another thing that has developed, is that these several discoveries -- Neptune, Mad Dog, Atlantis -- and this is the K-2, in the Mississippi Fan Fold Belt -- is almost an entirely new geologic area, so this is like -- the last national assessment we had, had a zero in this category, and now it has a large number because of these additional discoveries have opened up an entirely new geologic frontier.

And the same thing with the Perdido Fold Belt. This was a zero in the last assessment. The Trident and Baha discoveries are creating additional resource potential in this area. So that's geologically some of the things that are happening that are causing that huge number. That's a pretty big increase to that 71 billion barrels of oil equivalent. Next year we'll see deep-water production if projects that are announced and are in construction continue -- which I suspect they will. We'll see another spar by Kerr-McGee in Boomvang, we'll see Aspen, Camden Hills, Aconcagua, King's Peak will be in the Eastern Gulf natural gas production, and these three projects -- Camden Hills, Aconcagua, King's Peak -- is involved in a pipeline project I'm going to get into in a second. And then Horn Mountain and Matterhorn are others. Actually, I need to update this slide, but I believe there are another five projects that are going to probably be on production in deep water in 2002. We also had -- if you recall that geologic map -- I talked about the Trident discovery of Unocal.

Unocal drilled the deep water world's record. It's 9,687 feet of water, and they had a discovery about 300 feet. They're now planning an appraisal well to go in there and further appraise the possible discovery or the extent of the discovery. Another thing, which I believe Director Kitsos mentioned, was a focus on shallow water, deep gas production, and shallow water gas production in general, not the deep gas but the shallow water gas production -- has been declining precipitously. And you heard we had announced and instituted this last year several initiatives to deal with this declining gas production and try to reverse that in some way. We've already been through these. We had -- in the lease sale in March, we had an incentive for new leases. If you had a well 15,000 feet or greater, you got the first 20 billion

cubic feet of royalty free. We also used that in the Western Sale, -- and we're looking at it in terms of existing leases as a proposed rule-making.

This is the pipeline project I mentioned to you a little earlier, where Camden Hills, Aconcagua, and King's Peak are linked together and then are tied back to a platform right about here (indicating) in what they call the Canyon Express Pipeline Project. MMS has given approval to that. It's, I believe, now under construction. The time line calls for first production next summer. So that there would be about 500 million cubic feet of gas a day flowing through that pipeline system. And we already covered that. The last -- or one of the last things I wanted to mention -- in the Eastern Gulf is that there has been a plan filed by Marathon in the Eastern Gulf of Mexico. This plan -- this area is in -- in the existing sale 181 area. It's down towards the south. We'll get to a map of that in a second. It's in extremely deep water. It's in 8,500 or so feet. The plan calls for potentially four exploratory wells. It's been sent to the states for review. All the reviews are done with the exception of the State of Florida. It's still pending with the State of Florida in terms of their Coastal Zone Review.

By the way, if this well does go to fruition, this would be either the 50th or 51st well drilled in the Eastern Gulf of Mexico. And then the last thing, of course, is Sale 181 and really you already heard all of the analysis and talk about that. The reduced size of the sale area is this area (indicating). It used to include an area up in here and over in here. That has all been taken out. The Marathon Exploration Plan that I talked about a second ago is right down in here (indicating). And you've already heard the particulars of this. The sale is scheduled for December the 5th. We'll open the bids in New Orleans, and about 233 blocks that are at this moment unleased will be offered for lease sale. And that's all I have. Thank you, Mr. Chairman.

CHAIRMAN OLTZ: Thank you. Lisle.

PACIFIC REGION – J. LISLE REED

MR. REED: Thank you. Is this coming through all right? I have a couple pieces of good news and then one piece of bad news. Start with the good news. This year in the Pacific Region, we passed the mark of a billion barrel being produced, so one billion barrels has been produced in the Pacific OCS since its inception. That's over about a 30-year period. The undeveloped tracts that are leased but yet undeveloped overlie approximately a billion barrels of oil, so we're in the situation similar to the Gulf, but of course on a much smaller scale, of about as much oil to be produced from existing tracts as has been produced. And that's not mentioning the unleased area or the potential of the whole coast; that's just the leased areas. The other piece of good news is I didn't bring my tattered map to show you the 36 tracts that are undeveloped, but I will discuss them nevertheless, because that is the point of interest in California at the present time. As you all have followed this with me over the years, you know that through the mid-90's we did a report, a major report, called the COOGER Study which looked at those 36 tracts and their potential development and what the impact could be on a variety of scenarios.

That study was completed in 1999, and the companies had been under a directed suspension up to that point, and when we completed the Study, the -- we went back to business as usual. And the way MMS operates is when a company's lease term has exceeded the five-year term, and they have been diligently pursuing a production, they are given a suspension of production so as to have time to complete a schedule of activities that would bring them onto production. And accordingly, the companies were given new suspensions in 1999 and submitted, of course, their schedule of activities that they would plan to accomplish to bring them into development and proceeded to work on those activities. The State of California had a -- of course -- had a lot of problems with development and with the -- the idea of these tracts being developed, and one of the things they did was go into a lawsuit. And what they were petitioning for was for the obligation of MMS to do consistency determinations in order to grant these suspensions.

Now, a suspension doesn't permit anybody to do anything. It's -- it's not permitted just because in the schedule of activities just because somebody might drill. They have to submit appropriate application and get that approved and get a consistency determination on that permit. We have issued literally thousands of suspensions throughout MMS and including the Gulf. The Gulf does several hundred a year. We've been doing this for over 30 years. It's just a common, routine part of business. And so, we did not entertain in any way, shape, or form doing consistency determinations on the mere issuance of a suspension. No stay was ordered from the court. It was entered into a federal district court in Northern California, and no stay on our operations was issued. So, accordingly, the companies went about their business; we went about ours, and the case was argued in early 2000, and a couple of companies reached the

point of submitting projects for drilling development in the spring of this year. And we were, by June, a matter of days from issuing one permit.

And, of course, they were seeking coastal consistency simultaneously with that determination. And the other project, we were just a few weeks from issuing a permit, and of course, they were seeking coastal consistency on it. And we had never really taken the lawsuit in a serious vein. It was not considered by our solicitor to be much of a threat, frankly, and then the bad news. The federal judge ruled -- on or about June 22nd of this year -- ruled in favor of California and other intervenors in that case, and concluded that or directed the Minerals Management Service to do consistency determinations in order to issue suspensions. And then, in an ironic twist of fate, ordered us to direct a suspension while we were writing a consistency determination to give suspensions. In any event, we -- this is problematic for a variety of reasons. The opinion of the judge was narrow in one sense. By the way it's written and all, it pretty much applies to only these 36 tracts and only in the Pacific.

It really doesn't apply to other tracts in the nation. But you could extrapolate the logic of the judge, if you wanted to make a case of it, and perhaps go to other districts or federal courts around the nation. So, it could be the setting of a precedent that -- I mean, if we grant several hundred of these things in the Gulf, can you imagine having to do consistency determinations every time you were going to give a suspension. So, it causes the Department considerable consternation. We filed a protective order in, I think August, in the circuit court, the 9th Circuit Court, to protect our position to enable us to appeal that case, and we're trying to decide now just how to dispose of the matter. And you will know, since I'm a farm boy from Missouri, I usually say what I'm thinking, but, my God, we worked for three years to get Brian Baird to come back to one of these committee meetings, and so everybody felt it was probably not appropriate for me to say what I think, or he might not come back for another three years.

So, it's the expectation that we'll see Brian in May, perhaps in Baltimore. I will conclude my remarks, and we will -- and I am sorry that I didn't have a pretty Power Point presentation. I just always love John's. He's got quite an imagination. It sure looked awfully cold up there is all I got to say.

MR. GOLL: Do you get hardship pay for that kind of thing?

MR. REED: I almost -- you know, I feel bad. I have three cloudy days out here and I start looking at how to file a grievance.

MR. GOLL: If I could maybe mention one other thing. Since Lisle did bring up a lawsuit, I forgot to mention about two years ago we were sued by Greenpeace and several residents from the North Slope with regard to Northstar. The hearing on that was held, I believe, in August, and this was in front of the 9th Circuit Court in San Francisco. Within a month, they came out with a decision and upheld us that, you know, we did win the suit. The attorneys for Greenpeace and others were shocked by the quickness that the 9th Circuit came out because, normally, again, they deliberate for a number of months, so we were quite pleased again with regard to the decision on that.

CHAIRMAN OLTZ: Thank you, John. The panel is now open for comment questions. Mr. Knox.

MR. KNOX: Knox, Mississippi. Question for Chris. The -- the Alabama spill drill that you conducted, can you give us a -- was that a pass-fail, or can you give us an actual grade that they received on that?

MR. OYNES: Well, we don't really -- we don't really give out pass-fail grades or that kind of thing. They passed. They did quite well. What we do on all unannounced spill drills -- most of which are table-top exercises -- is that we issue a letter back to the company noting where they did well, where they did poorly, where they may need to improve. If I might digress, Unocal did considerably well in this case. There -- as always, there is at least some marginal areas for improvement. I haven't even seen the letter, quite frankly, on this particular one; I'm just doing this from general -- general knowledge.

But, as an example, in spill drills in general, if we have -- even if the company does, if you will, passably, but need some strong improvement, we probably will revisit them real fast again. And we've done that in the past. Unocal is probably not going to have that happen, to the best of my knowledge, but that's kind of the way it works. You know, they let them digest their results for three months, and then in the middle of the night, we'll knock on their door again, this time maybe to put stuff in the water. The single biggest thing -- if I might just digress in general on that -- by the

way, I would make the same offer to any of the gulf coastal states, that there was a particular series of events that drove -- drove us to have an unannounced drill and to have strong cooperation with the State of Alabama. If there is any other gulf state that would like a similar approach in some way, shape, or form, we would be happy to do that. Like I said, we do about 20 of these a year. I lost my train of thought here. Anyway, I guess -- at least passing.

Mr. Chairman.

CHAIRMAN OLTZ: Brian.

MR. BAIRD: Brian Baird, California. I should say that Lisle and I have had our candid discussions where he did express very clearly to me his points of view over our social hour last night on a variety of these issues. I just want to say that I think, following in the theme of what the states said yesterday, California has been increasingly concerned about the cumulative impacts of these operations. This group of 36 tracts, the state has clearly said, "Let -- we want to see this from the beginning." And that should happen through the provisions, the Consistency Provisions of the Federal Coastal Zone Management Act. In the district court judgment, which was granting a motion for summary judgment, I might add, they felt that the case was pretty clear cut; that we should have that authority, and that is indeed where we are at this point. And I guess, from our perspective, we, you know, like to see the filing of these consistency documents and move forward with the process. But, anyway, that's where we are at this point, I think.

CHAIRMAN OLTZ: Jim.

MR. CARLTON: Carlton, Major Oil. I have a question for Chris. Chris, you mentioned, with respect to the under discovered resources, mentioned the figure of 71 billion BOE undiscovered in the Gulf of Mexico. Do you have a breakout of how much of that lies within the Eastern Gulf of Mexico?

MR. OYNES: I don't have it with me. It's available. In fact, I have the entire report on a disk I can leave with you, if you want. That is the -- that assessment is on a CD-ROM and it is available from our Public Information and Public Affairs Office, for anyone who's interested.

MR. CARLTON: The point I was going to make on that is it obviously gets back to access issues when we quote numbers and figures for resources, and to differentiate what is available for leasing and what is not, and of course the time constraints involved in -- in approaching those problems. Thank you.

CHAIRMAN OLTZ: Thank you. North Carolina.

MS. MOFFITT: Moffitt, North Carolina. I was wondering, Lisle, if the Department of Commerce took any kind of a position in the lawsuit on suspension of operations?

MR. REED: They did not enter the lawsuit. Their counsel worked very closely with the Department of Justice and our solicitor. The Department of Justice is the one that actually argues our case in the court. And the Department -- I will candidly admit, NOAA, the general counsel, had a contrary opinion to our solicitor. I'm not for sure whether it was based more on law or more on policy, however.

CHAIRMAN OLTZ: Ahmaogak.

MR. AHMAOGAK: Yeah. My question is directed to the Alaska Region Summary of John Goll. You stated earlier that only one Environmental Impact Statement process is going to be used for three lease sales. During the scoping sessions, repeated minutes for leaders and local leaders have requested that each and every lease sale should encompass an Environmental Impact Statement, but still -- Minerals Management still marches on to have one Environmental Impact Statement for three sales, which I still have a heartburn with that. And here we talked about improving the decision-making process, and that still is a concern of mine, that we would require and demand Environmental Impact Statement for all three of those lease sales. I have a real heartburn with that because you're talking about different geographical areas or parts of Alaska. Some parts of Alaska are different from the North Slope. Be that as it may, getting back to John's presentation today, you've heard my concern about Northstar; you've heard my concern about Liberty -- which is coming up through the permitting process and getting ready for some of that exploratory drilling and possibly production, and then continuing the 5-year oil and gas lease sales from 2002 to 2007. John, you've come a long way.

We've been working with you from the local communities, municipalities, and trying to improve the whole overall process, but you neglected to talk about the impacts, the cumulative impacts, that are -- that would keep coming up over and over, and I know you're limited in your financial resources and your budget, and you're also limited in only giving encouragement to the operators that are on the offshore. Could you talk a little bit about that? Because I think it's very important, because I pushed a Resolution here requesting for funds to help mitigate the very impact that we're experiencing. And, John, I think you need to at least share with the Committee here what your experience -- from your office. Thank you.

MR. GOLL: John Goll, again. First of all, with regard to the three sales and one EIS, again, what we are trying to do is to follow what the National Environmental Policy Act does suggest with regard to like activities. What we had hoped that approach would do was to up front look at all the issues. There is one benefit about doing it this way, is that as part of the evaluation, we will also be looking at the effect of the three sales together, you know, rather than individually, so that does give you, with regard to cumulative analysis, another look at things. And again, there will be coastal consistency with each one of those sales -- I'll get back to this in a second -- and public review. One other thing to remember, though, is that decision on whether to do the three will still be part of the 5-year decision, which the decision on that will be next July -- or pardon me -- next June. And if the Secretary decides not to do it that way, then, we of course would then shift to one EIS. With regard to the cumulative issues that we've had discussions with the Borough, the Mayor, the Alaska Eskimo Oil Commission, and the villages, there are several kinds of cumulative effects, of course, one being things that happen in the water. Things that are somewhat easier to measure with regard to what is happening to the sediments, what's happening to the creatures that live in the water, things of that nature.

As I mentioned, this ANIMIDA Study, as we call it, we have been doing that for several years and plan to continue, which will help us to understand, as activity actually happens in the water, what is going on. And we can make adjustments and further mitigation if needed if we do see changes. So there is that type of cumulative activity. The one that's harder to deal with and that we've had some good discussions with the Borough on, is the social effects of, I think you've heard a number of years ago, with regard to some of the National Academy Reviews -- and I know this was an issue in California -- even the thought of a lease sale brings stress to communities. And what -- how do you deal with that again? The view of MMS and the Department -- again, the Solicitor's Office and so on, is that we do have limits on what we can do. We do evaluate that in the EISs. I think if you read the Liberty EIS, you will see an excellent discussion on that issue. That it's in there. But regrettably, what we cannot do is to provide impact assistance connected with that, to support activities on shore, that is, the social problems that, you know, the mayor has addressed at other meetings with regard to alcoholism and things of that nature.

MR. GOLL: The other part of that question, of course, is it directly due to the offshore or is it a combination of everything going on. We do see problems like throughout the State of Alaska, and I'm sure in other communities around the country. We are doing a cooperative study with the Borough connected with some of these issues, and we do plan to continue that in the future. The National Academy of Sciences is doing a cumulative assessment of the entire North Slope, both onshore and offshore, they will be coming out with a report next summer that we're very interested in. They have done research also or reports in the past, and also brought up the struggle with regard to the cumulative effects on the social side. And, of course, one of their recommendations in past reports is revenue sharing, which, you know, the problem in Louisiana and up on the North Slope and other places. So, we can do certain things with regard to MMS of monitoring and requiring mitigation for things that we have direct control over connected with the islands and the exploration and the drilling activity. What is harder to deal with, though, is that the social effects of things happening actually in some of the villages, you know, as being described.

CHAIRMAN OLTZ: Are there any other comments? Paul Kelly.

MR. KELLY: Kelly, Offshore Support Industry. I hope the Chairman will bear with me. I have questions for all three regional directors, but I'll make them fast. First, for John, concerning Alaska, one is a comment; the other is a question. It was interesting to hear about the Norton Sound possibility. Going back to, I think it was, the 1970's, the last time we had a round of exploration in that area, as I recall, Exxon drilled one or two wells and had natural gas shows, but determined that the finds were not commercial because of the cost of infrastructure. But I think the focus of that infrastructure was probably toward moving the gas away from the region, so I just wanted to comment that it is very interesting that you've come up with this interesting idea of providing gas in the local region, which might make a difference on the infrastructure costs. So I think I wanted to compliment you on that creative thinking. The question I

had for you was, when you mentioned the number of federal leases on the Beaufort Sea, you said they were down to 60, and I was just curious whether you've seen leaseholders allowing leases to expire in the area?

MR. GOLL: Oh, absolutely. Over the last five years. Kuvlum and Hammerhead, which were two discoveries, were both relinquished several years ago, and Murphy Oil relinquished the Sandpiper Discovery, which was more condensate gas to the west of Northstar. So those have all come back in.

MR. KELLY: I see. And a question for Chris: At our last meeting, the Policy Committee adopted resolution supporting U.S. ratification of the Law of the Sea Treaty, and I thought it might be interesting, since our last meeting, you've had another offshore lease sale, and I think leases in the so-called donut sale were offered this time, but I believe no companies actually bid on them. But I think it's interesting in the context of our sense of urgency about ratification of the Law of the Sea Treaty, because, if, in one of the upcoming 2002 lease sales in the Gulf, we could very well have donut hole leases issued, and then we're going to be faced with this question of how royalties are determined in the international context. So I think it makes it even more urgent that the U.S. get a seat at the table of the various organizations under the LOS Convention.

MR. OYNES: If I might just add a little bit, we had both the Central Gulf Lease Sale and the Western Gulf Lease Sale had part of the donut hole, the gap, if you will. We weren't quite ready to hold that portion of that sale when we held the Central Gulf, so we divided the sale: Sale 178, Part one, Part Two, and we held Sale 178, Part Two, which is just the gap tracts in the Central Gulf, the same day as we held Sale 180, which also had the other part of the gap blocks. We did receive 7 tracts that received bids, and I'm not sure how many of those are still pending as to issuing leases, but those presumably could very well likely result in leases in the Sale 180 gap blocks. There were no bids in the 178, Part Two blocks. So, it is a live question or will be a live question. I'm not sure if they have been accepted yet off the top of my head.

MR. KELLY: Thank you. And the last question I had, Mr. Chairman, was for both Brian and Lisle, going back to the California situation. In the early '90's, this committee wrote a landmark report entitled, "Moving Beyond Conflict to Consensus," in which we recommended to MMS that it work to build consensus-building approaches to offshore leasing in the various coastal areas. And the last time we met in California, we heard from participants in the so-called COOGER Project -- which to me was a very good model for the sort of consensus-building structure that the Committee was recommending.

You had MMS and other federal agencies, I think the state government and local government and other stakeholders involved in this process. And I know it's been going on for a number of years, and I'm just wondering how California's litigation fits into this? I mean, am I mistaken in thinking that the rug has been pulled out of this consensus-building project in the product that it actually arrived at, or is this a different issue in some way?

MR. BAIRD: Mr. Chairman, if I could give a first response on that. I think what the State of California is saying --

THE REPORTER: Name, please.

MR. BAIRD: Oh, I'm sorry. Brian Baird, California. I think what the State of California is saying, quite simply, is there are a bunch of leases that are out there that are going to be reissued. Some of these leases were originally issued 30 years ago. Since that time, in the Santa Barbara Channel, a whole bunch of things, new national marine sanctuaries. The sea otters which, back in the Northern Santa Maria Basin, when the full field was done, U.S. Fish and Wildlife Service said one platform would not be a jeopardy opinion; the full field development would be a jeopardy opinion at that time, many years ago.

Development since that time, sea otters have moved substantially farther into the Santa Barbara Channel, are far more exposed, raising additional issues there. I think there are a number of other things that have happened recently where wetlands have been restored along this whole section of coast; there is additional vulnerabilities. So I think what the state is saying on this procedural issue is the state wants to be involved from the start as -- as the states -- any state would be involved at the lease sale stage under the Federal Consistency Provisions of the Coastal Zone Management Act. With regard to the information that was produced in the COOGER study, I agree. I think this was a positive effort trying to bring Minerals Management Service, State of California, the -- the counties and so forth into a process where additional information could be brought to bear. So, I guess, from our perspective, having just prevailed -- at least in

this -- assuming this is where we are, and this trial court action prevails, the Minerals Management Service would come in with these Federal Consistency Determinations and the -- all the information that has been available up to this point would be brought into that, including all the information that came in through the COOGER Study. Whether that information is sufficient, or what that information provides to our Coastal Management Agency in terms of that decision remains to be seen. But I think that effort is there; that effort provided information, and that information will be thoroughly considered when these documents are filed.

CHAIRMAN OLTZ: Lisle, would you care to add anything?

MR. REED: Well, it's difficult to comment on it, Paul. I -- I think that for many years there was a good rapport among all the parties in the state and the county, and we did sit around the table and discuss things and work things out. You have to remember, in '99, there was -- there was an election in '98, a new governor in '99, who wanted to express a point of view and make a statement. And you have to make a somewhat strident action. You have to take somewhat of a strident action in order to make a statement. And I don't think there was an interest in sitting around the table and discussing something towards a constructive resolution of the matter. I think there was more of an interest in making a statement. And I -- I think that's why discussions weren't appropriate and didn't take place, and things kind of broke down.

CHAIRMAN OLTZ: Okay. We need to cut off the discussion here, but before we do, I would like to thank the Gulf of Mexico Region, Chris, for their work with the State of Alabama on the oil spill at every level in the organization; that we had complete cooperation, and I think that, despite my colleague from Mississippi's chagrin, that somebody could pass a test, we did do a good job there, and we thank you for that. With that, we will reconvene at 10:30. 15-minute break. Thank you.

(Recess taken.)

CHAIRMAN OLTZ: It's time that we reassemble, and the OCS Policy Committee come back into session. Starting off with the rest of the morning here, the initial presentation is by Will Schroeder, who is the Chairman of the OCS Scientific committee, and a fellow Alabamian. Will, it's all yours.

OCS SCIENTIFIC COMMITTEE UPDATE – WILLIAM W. SCHROEDER

MR. SCHROEDER: Thank you very much, Don. It's always a pleasure to be here and to continue our interactions with the Policy Committee. The Science Committee has not met since the last Policy Committee Meeting because of our new meetings' schedule, which is now one annual meeting that will -- that is scheduled sometime in the March, April time frame in order to directly assist and support the regional and national studies programs as they do their annual planning. And then for the remainder of the year, we have subcommittee meetings as needed to provide focus planning and review support within critical study areas.

Two examples would be ANIMIDA in Alaska, and Deep Gulf -- deep water work in the Gulf of Mexico. Our next meeting is tentatively scheduled for mid-April of '02, so we'll have something to report at the May meeting of the Policy Committee. Currently the Committee is waiting for the official approval of the appointment of new members to fill six vacancies. The Committee is going to miss the productive contributions of six folks that have put in a number of years working with us, and I would like to acknowledge them. They are Drs. Carney, Crecelius, Forristall, Murray, Niebauer, and Wartzok. But we're looking forward to the participation of six new members that have been nominated, and I would like to say that what the Committee will gain here is one engineer with expertise on aspects of sand and gravel; two ecologists, one with extensive experience previously with MMS, and one with deep water credentials; a marine fisheries expert; a marine mammal expert; and a physical oceanographer, all very critical areas, disciplines that the Committee needs in order to address specific study components within the region and the national office.

Some committee work has consisted of the Alaskan or ANIMIDA Subcommittee. Members attended the ITM meeting in Anchorage last April, were able to get ramped up on the work that's being done out of the Alaskan Office and to meet and interact with the Alaskan Office with work up in the Beaufort Sea. We've also continued to get regular updates from Cleve Cowles there and are looking forward to additional interactions with them sometime in the winter/spring time period. The Deep Water Subcommittee is currently working with the Gulf Regional Office on the planning for the May 2nd deep-water workshop that you heard about earlier this morning. We worked with them as

well on that first workshop. The Deep Water Subcommittee will also have an opportunity to meet in its entirety -- hopefully the entire group -- at the January Gulf ITM where there will be presentations given on current studies in the Deep Gulf. The Sand and Gravel Subcommittee has not officially met. We have provided support to the National Office on reviewing the draft document, monitoring protocols for environmentally sound management of federal offshore borough areas along the East -- U.S. East and Gulf of Mexico coasts.

We plan to have that subcommittee meet, and also in conjunction with the Gulf ITM, there is a full day's session on MMS-sponsored sand and gravel research. That will, in addition, be in conjunction with the Policy Committee's Subcommittee on Sand and Gravel. And the intention here is to work closely and regularly with that Subcommittee in beginning to, again, ramp ourselves up to being able to provide the necessary scientific expertise as sand and gravel activities continue to increase. The Science Subcommittee was honored, in a sense, when one of its members, Jim Coleman, along with Paul Kelly, from the Policy Committee here, was appointed to the Commission on Ocean Policy. Jim is a long-time member of our Subcommittee, has served as its Chair prior to my election, and Jim is -- has been appointed to serve as the Chair of the Research, Education and Marine Operations Committee within that Commission. So, we're very pleased to have Jim as part of that. That is the extent of my report, not having had a full meeting, but I'll be happy to answer any questions that anybody might have about our activities.

CHAIRMAN OLTZ: Questions or comments for the Science Committee? I guess you wowed them all. Thank you, Will, very much. George Banino is the Assistant Chair here for this Committee, and he will attend your meeting on behalf of the Policy Committee in April. We have a final panel this morning, "New Technology -- Advances to Improve Protection of the Environment," and Paul Martin, who didn't get enough yesterday chairing one of these panels, has decided to do it again. Paul, I'll let you introduce your panel.

NEW TECHNOLOGY – ADVANCES TO IMPROVE PROTECTION OF THE ENVIRONMENT

MODERATOR – PAUL E. MARTIN

MR. MARTIN: Thank you. If we look cool, calm, and collected, it's certainly by accident, because in the last 30 minutes or so, everybody's presentation has disappeared, and -- but they have been resurrected by the IT groups here, so we are totally under control, particularly with the new technology. I did not introduce myself yesterday. I'm worn many caps at MMS over the years, everything from District Supervisor, South Atlantic, to Regional Supervisor. I've been in the Resource Evaluation Program, and the last three or four years have been wearing the cap of the Engineering and Research Branch Chief there in beautiful downtown Herndon, Virginia. The panel we put together is in response to a request to the Agenda Subcommittee. And the request was to have someone from DOE, a knowledgeable person from DOE, to come in and address a recent DOE report in which DOE looked at the environmental benefits of advanced oil and gas exploration and production technologies. And we found the Program Coordinator, Nancy Johnson, and we figured she was probably the most knowledgeable person at DOE to address that topic, and so Nancy agreed to come with us and talk about that topic.

We had a second DOE representative to address the second request, which was the roadmapping initiatives that DOE undertook in late 2000, in which there was a initiative to look around the country and look at what technologies were being developed by industry, and how industry can work together with the government to fund enabling research for Deep Water Gulf of Mexico. And Mr. Guido DeHoratiis was scheduled to be with us and was going to discuss that effort, and unfortunately, Guido, late last week, developed a conflict. Nancy and I will try and pick up some of that as well as our third speaker, which is Dr. Aston Hinds. And Aston was with Guido and myself and other DOE on numerous of those sessions that we had all around the country, looking at the different technologies, and also, the -- what is the government role so far as -- industry role in developing these technologies. So, Aston will help out on that too as questions come up, and Aston will also address some of the research that's been going on at Halliburton and other industry organizations that may reduce the environmental footprint of offshore oil and gas operations.

And another aspect that Aston brings to the table is that over the last several years, we've seen a noticeable shift from the -- a lot of the research burden going from many of the major oil companies to the service industries. And Aston may be able to address that as well. And finally, time permitting, and it almost became the whole focus this morning, you have a handout on the MMS TA&R program. You heard mentioned the last couple days something that you normally you don't hear too much about in this committee. You hear a lot about the environmental studies program, but we have a complementary program within the MMS. It's the Technology Assessment and Research Program. And

our focus is on the safety of operations offshore. If time permits, we'll go through a brief presentation on that. If not, again, you have a handout, and I would like to come back some other time and address that. So, we'll roll the dice, Nancy, and have you go, and let's see what comes up.

ENVIRONMENTAL BENEFITS OF ADVANCED TECHNOLOGY AND DEEPWATER OFFSHORE: THE NEXT FRONTIER – NANCY JOHNSON

MS. JOHNSON: I do feel like it's rolling the dice here, because we have a computer that -- well, now it's the back of the room; I was thinking it was downstairs still. But we had to kick it a few times and cajole it to go ahead and produce this presentation. The report that Paul was kind enough to refer to came out of our experience of running a Technology Research and Development Program and also policy analysis activities that we undertake. And what we found is that if we looked over the last three decades, that we saw a tremendous history of technological innovation, actually from the roots of the oil and gas industry at the century, it was sort of like horse and buggy to now we're riding in SUVs or rocket ships. But there has been tremendous progress. What we also saw is that these productivity gains were yielding environmental benefits, and we thought that a lot of people really weren't recognizing this. This was new for us and our program, and we were starting to understand that our technology program was also an environmental program. The kinds of technology advances are shown on this slide here.

And these are revelations that we had, at least, things you are familiar with. The fact that industry has been moving into new frontiers over the years; that we're getting greater reserves per foot of well drilled; fewer dry holes per, you know, per wells -- or fewer dry holes -- sorry -- greater resource recovery in older fields; lower drilling and production costs. So, great efficiency in production gains across the board. Then we were realizing that that's also giving us again environmental benefits. With fewer wells, we end up with a higher level of resources added for those wells, lower drilling waste volumes, lower produced water volumes, smaller footprint. And this is something that everybody talks about, particularly with regards to North Slope Alaskan operations. And then, the fact that industry has been working in a number of very unique, sensitive environments, and this may include wetlands, federal lands. We saw reduced air emissions of all different types, including greenhouse gas emissions and enhanced worker health and safety.

If you got a more efficient drilling operation, you've got less time on site, and that means less potential for people to be harmed as well as improved practices aimed at safety. This slide actually shows my favorite -- this is our poster that went ahead, you know, with this report. And what we were trying to convey is that this, you know, history of continuous technology innovation needs to continue. This is going to be vitally important to both our energy future and our environmental future. This kind of message is echoed in a lot of other forums. We were, you know, seeing it, at least, in the National Petroleum Council Reports, like the 1999 Gas Study, the importance of technology advancements. We see it in energy information administration studies in terms of their assumptions that we need very robust continued technology advancement to meet future oil and gas demand. And we were also seeing it -- I was going to say -- oh, in other types of things like the National Energy Policy that released in May.

This document ended up being, I guess -- the Environmental Benefits Document ended up being a quite often asked for document, included asked for by the White House staff. And the National Energy Policy carries a very heavy message of the necessity for technological advancement in the future to, again, not only meet our energy supply needs but to ensure that we can conserve energy in a variety of different ways, and that we can protect the environment; that these objectives don't have to be mutually exclusive of one another. If we step back and try to figure out, well, where do we go from here? We've had this great history; what does it tell us for the future? Well, it turns out that industry is going to have to be smarter; it is going to have to drill deeper; it is going to have to have cheaper, more cost-effective operations, cleaner operations. We already know that the remaining domestic resource is now found in more complex technologically challenging environments. We're also going to see continued market volatility. That's something that we just can't seem to get away from when we talk about oil and gas issues.

The oil and gas industry has had a very low average rate of return over time, and there is question about whether that will continue in the future. What we may see is a lot higher prices in the future, and that will change market dynamics considerably. Environmental stewardship, that will always remain important. It is something that Americans demand; that we must protect the environment as we pursue other objectives. And then something we've heard an awful lot about since September 11th is that we need to be very concerned about national energy and economic security. The oil and gas industry is integral to our economy, and that's going to be at the forefront of some of our concerns in the future. What's next in terms of this report, just, you know, for us, is that we've distributed at least over 20,000 copies. And

that's just print CD's. It's been used by a number of different universities as part of their college curriculum, high school students, others.

It's been used by outreach in a variety of different situations including some MMS offices, used by states for public meetings -- in part because it's one of the few documents, even though it's very cumbersome and heavy -- it's one of the few documents that also provides a lot of background on what happens in oil and gas drilling operations. And from that perspective, it's been -- it been a good primer for people. But it's a question about where we go from here in terms of -- we've gotten a lot of requests for updates. We don't know whether we should be working in the specific technological topics or if we should be looking at particular resource areas, where that's onshore or some of the offshore issues. Or, perhaps, one of the things that was important for me and still is -- it bugs me a little bit -- is that our report was in many ways qualitative, and we found it hard to really describe the trends that have occurred in, you know, a quantitative or statistical manner. And I still would like to do more of that. There is some of that in the report but there was always a question of what is the baseline to use, particularly since we started back with the Drake Well, and we were moving forward from there.

So, you know, is the baseline 10 years ago, 20, 30, or all the way back to the beginning of the oil and gas industry in the U.S. Now, the other topic that Guido DeHoratiis would have talked about if he was here -- and changing gears a little bit -- is the offshore technology area. And in this area, I think you already heard from Chris Oynes that there is a tremendous potential in the offshore in terms of both oil and gas for meeting future energy needs; a variety of different estimates out there. Some people are suggesting that we could essentially stem the decline of domestic oil production, as an example, and go back to years of peak Alaska discussion. A lot of -- a lot of belief in amazing promise in the offshore. Now, given this, and also given that we understood and we were hearing from industry a lot that there were significant -- there are significant challenges with regards to operating particularly in deep water, and ultra deep water, we went about holding in, oh, the year 2000 a number of different meetings, different workshops.

And we were trying to identify what producer needs were; what technology capabilities existed; were there investment issues; were there, you know, safety or environmental challenges? You know, what are those? Government roles, to try to explore that with stakeholders and understand that a bit better, and then try to figure out if there were areas of collaboration. Now, in having these meetings, essentially, you will see on the left-hand side that we got quite a few different types of folks together to talk about this new, you know, resource and its potential, and in the meetings that were put together with the help of stakeholders, these were divided into a variety of different topics where people could exchange ideas and again explore what the constraints and the opportunities were. Our last meeting was held this past May, and, for many of us, it was more of a program update to tell people that we were not quite sure where this program would be going in the future. I will say that, out of the meetings that were held, what we did learn is that we're going to need not only evolutionary but revolutionary techniques.

We're also going to need new systems architecture, new ways of looking at how to develop those resources, first time technology demonstration. That's not something that's at least new to the oil and gas industry. The more you move into these deeper waters, this is the first time you try something. Infrastructure improvements, those would be needed. Regulatory innovations. And we've heard at this meeting from Minerals Management Service about new approaches that may need to be taken in the offshore. And there was a lot of discussion and comment with regards to the need for improved communication and education amongst the various involved parties dealing with this amazing resource. The last thing, and one of the things we did -- and this was a prior administration -- and that was to put together a Memorandum of Understanding in place between the Minerals Management Service and the Department of Energy. This is something that, I'm sure, you know, we'll have to get back together again with the Minerals Management Service and decide how we use this mechanism in the future, and what it presents in terms of opportunities itself. And, I guess, a question of where we're going.

There are a lot of different proposals out there that folks have with regards to what a government-funded offshore technology program should look like. In the meantime, since we are in the technology R and D business, and we have folks telling us this is an important area, we had gone ahead and put together some ideas ourselves. Some of the folks, at least from industry, have been talking about a 40 percent reduction in cost. What we thought, "Well, gee, we could at least try to tackle something that might be a 25 percent reduction costs in the offshore." And we had various components here. We've also looked at potential R and D areas. Some of the ones you will see here are more areas that are -- I'll call them evolutionary rather than the revolutionary. And, in part, this is a question of finances and

wondering exactly what capability, with a finite amount of money that we might propose as part of the federal budget, we could bring to bear on this.

Now, in the meantime, what we have is in Fiscal Year 2002, our congressional budget request, even though we were going out and holding workshops everywhere, we ended up in a year of fiscal constraint, so we did not propose an offshore initiative of any sort in that portion of the budget, our oil and gas budget. In the 2002 appropriations, a lot of discussion on the Hill with regards to what should happen in this arena, and lo and behold, the Interior and Related Agencies Bill, at least after conference, came back to us and basically tells us that, "Gee, if we want to use prior year monies that have not been spent and reallocate them to this activity, or to a myriad of other activities, we can do that." And I can tell you there was nearly a paragraph variety of different things that we were told that this money, if we had money, that was unspent could be applied to. So, very tough issue as to whether there would be any money for offshore technology. Now, in the meantime, we have H.R. 4 out there, and as part of Energy Policy Legislation, and as part of that, very, very big program for ultra deep and unconventional, 900 million dollars over eight years.

It has a very unique structure in terms of a research organization that would have very limited federal controls on it with regards to how the monies were spent on these particular topics, but, you know, quite expansive. At this point, we're not quite sure what's going to come out of the Senate, and needless to say, we'd still have to go to a Conference Committee to have any kind of legislation in this arena. The other thing is this is authorizing legislation; it's not appropriations legislation. So, even if we do have an energy bill that's passed, and it includes deep water or ultra deep, and in a variety of other topics, we're still going to have to go back through the appropriations process for 2003. In the meantime, we are having discussions with the Office of Management and Budget with regards to what a more modest program might look like. Again, this would be probably in niche areas, not taking a revolutionary technology approach.

I also did want to share with you that, in the midst of all of this, as of August, the Secretary of Energy had asked us to do a strategic review of our oil and gas technology programs. For that, we've decided that we'd look at quite a bit of input that we've received over the years. We held public hearings in three different locations; we accepted comments by e-mail from individuals, stakeholders, whoever wanted to send comments to us. We looked at National Petroleum Council Reports, if we had gotten comments from the National Research Council, and we've been trying to decide where this tells us we should be going for the future. In the next couple of weeks, we will be at least reporting to the Undersecretary, the Deputy Secretary, and the Secretary with regards to what we think we were told. Underpinnings in here that are very important, National Energy Policy. You heard that not only Interior is interested in terms of its implementation responsibility, but we too are, you know, involved in national energy policy implementation and taking that very seriously.

Energy security and energy reliability are two overarching objectives that underpin not only where we think we're going to be going in the future, but are also part of the Secretary's new stated priorities for the Department. I was going to say, is it going some place? Anyway, I think the -- (Discussion off the record.)

I did want to share some of the circles back again, and it's this issue of what we heard out of the Strategic Review, and some of that is that investments in advanced technology do benefit the nation from an energy security, energy reliability, and environmental perspective. The federal government has an important role to play in not only R and D but incentives to accelerate technology deployment and development. We also heard that particularly DOE's technology work must be done in a public policy context. It doesn't do any good to develop technology without looking at all the other multiple barriers to resource recovery.

And we should be working closely with other federal agencies trying to understand, again, what is -- what is affecting resource recovery in the U.S. And we also heard that strategic alliances and partnerships are critical. We should not only be working closely with industry, but, again, states, other federal agencies, stakeholders that this is the only way that we can ensure success in the future in terms of maintaining a very robust U.S. production -- oil and gas production capacity. And the last thing -- which I also, you know, have heard throughout this meeting relative to other issues discussed -- and that's that we need to increase energy awareness, especially the public's awareness, with regards to the options that exist for meeting our future energy demands and try to stimulate national dialogue on these topics. So, with that, I'll close. Oh, let me say one other thing too, because I should have said this. It was in my notes before.

The very interesting thing about the program on the hill in H.R. 4 is that it essentially describes the program that would be put in place for ultra deep water and unconventional, as a loan program, with cost share projects with industry, and that the money for repayment of those loans would come from oil and gas lease revenues. And it sets aside a specific percentage, 7.5 percent of oil and gas lease revenues in the future. So, it's a bill that not only affects our program but also affects the Minerals Management Service and a variety of other objectives that people may have had in mind or do have in mind with regards to federal revenues.

MR. MARTIN: Very well done, Nancy. With that, we'll go to Aston, and then after Aston, we'll take a break, Don, and then look at questions there, and see where we're at on time.

THE ROLE OF "INNOVATION" IN MINIMIZING THE ENVIRONMENTAL EFFECTS OF OFFSHORE OIL & GAS ACTIVITIES – ASTON A. HINDS

MR. HINDS: Mr. Chairman, my comments today will reference the role of innovation and minimizing the environmental effects of offshore oil and gas. And, as a preference to discussing innovation, which would include technologies and other types -- policy kinds of innovation, I would like to point out that the industry, oil and gas industry, both nationally and internationally, continues to be challenged on its environmental record.

And interestingly, some of the technologies that Nancy talked about in her first presentation that have evolved over the last 20, 30 years or so, have continued to contribute significant environmental benefits, which somehow it's very difficult to get -- sometimes people who have a less than favorable impression of the industry, to recognize, so, what I would like to do is to echo, I guess, the point -- one of Nancy's last point -- to talk about the awareness that we as an industry and as policy makers have to undertake to ensure that the public at large and NGOs particularly understand that there is a process by which oil is found, by which it's produced, processed, transported, and distributed. And yes, indeed, there are times when there are environmental impacts, but what I'll try to do in the next few minutes is to show some of the efforts that have been undertaken by the industry to mitigate those impacts. And, in fact, some of the sort of serendipitous benefits that we achieved through using technology to produce oil and gas faster, cheaper, and to work in some of the more challenging environments in which the industry operates today.

As part of my preparation for this brief presentation, I polled some of my colleagues in industry. For example, I visited the Westport Technology Lab a couple of weeks ago, to find out what specifically are they doing to address environmental impacts. Bear in mind, that Westport and other technology labs are in the business of developing technology to be able to find and produce oil and gas much more efficiently, more cost effectively, not necessarily more environmentally prudently. And with that challenge, I was amazed at not only their commitment and level of awareness about the impacts of some of the things that they develop, and ultimately comes to the market, but the fact that, as part of the design process, they're actually beginning to integrate environmental awareness and design criteria into some of these technologies. So that was particularly encouraging and certainly unexpected.

(Discussion off the record.)

If we focus for a moment on the offshore area, I'll go fairly quickly from here, and when we get to some of the technology, we will spend a little bit more time trying to understand how that actually works.

But, if you think in terms of impacts and areas of concern, clearly, you know, there needs to be dialogue with the fishing industry, with those people who are concerned about impacts on marine mammals, birds, coral reefs, and then the food chain. And one of the things that is not on the slide, ultimately the health and well-being of the people who work offshore. Some of the things that I want to touch on deal with specific activities in the area of oil and gas. If you think about where the industry has received perhaps most criticism, and in fact where its Achilles heel lie, in terms of environmental operations, has to do with offshore discharges: Muds, cuttings, produced water. And there is a really good news story here because there is a lot that has been done and is being done in the area of developing better and more prudent, effective mud systems that have increasingly less impact on the marine environment and on the people who have to work around these.

Historically, we've had oil-based muds-- OBM's -- synthetic-based muds, which are a relatively new innovation, which I will spend some time talking about, and water-based muds, which again continues to evolve. And in terms of impact, water-based muds are generally conceded to have the least impact, negatively speaking, on the environment. And then

there is a whole category of synthetics, which I will get into. So, historically, the battle has been between oil-based muds and water-based muds. Why oil-based muds? Largely because oil-based muds provide a level of performance; i.e. diversity, and the ability to protect shales and so on, that, at the time, most water-based muds just could not approach. This is the obligatory slide about the functions of drilling fluids. And every time someone speaks about drilling muds, you have to show this particular slide. And basically this just lists what the functions of the drilling fluid -- what it performs in the process of drilling a well. We think about, in the area of water-based muds, what are some of the issues?

Well, water-based muds contain primarily barite -- which is a mineral derived from the earth -- bentonite -- another mineral -- and various additives. Concern has been with heavy metals, cadmium, lead, et cetera, that may be found in barite. That issue has been addressed very effectively by the EPA, and in fact, if you were to go offshore and sample barite, using mud systems, you'd find virtually no lead, cadmium, et cetera, because these have been effectively regulated by the -- by the EPA. Other concerns derived from various organic compounds, additives, lubricants, and so on, and I'll speak more about those as I get into synthetics, and the use of surfactants and thinners. And if, when you add it up, in summary, if you compare water-based muds to oil-based muds, generally water-based muds have much lower impact, and drilling muds. They tend to disperse a lot more in the water column. And we'll talk about geophysical impacts, especially in deep water, and also on the benthic communities; those animals and creatures and animals that live on the bottom of the sea floor.

Again, the impacts tend to be less and benign compared to oil-based muds. This, again, reinforces the statement I made earlier about the relative impact about some of the things discharged offshore. The advent of synthetic-based muds in 1990 was, in general, considered a great success, a tremendous advancement for the -- for the mud industry. And many years later, the -- the results were compared to some, quote unquote, "Established facts by the Paris Commission." In general, they found, based on a history of studies in the North Sea, that the impact of oil-based muds could be found as far as -- and this slide says 1- to 4,000 meters, but more recently, up to 5,000 meters from the point of discharge from a rig. When you compare -- and you'll see the results with synthetics -- sort of light years in terms of the advances that have been made. Here we'll begin to look at where innovation and technology begins to play a role. Water-based muds has difficulty with reactive clay formations.

There is a general tendency to have stuck pipe, and there are great lubricity issues, that is, with the rotating drill strength with water-based muds. More recently, there have been developments in water-based muds -- and I will show you what these are -- we now have silicate mud systems and reversible mud systems that are part water, part something else -- which we'll talk about -- and a lot of the challenges with water-based muds have been addressed. However, one of the great innovations in technology has been extended-reach drilling, slim-hole drilling, and so on. For extended-reach drilling -- which provides us the ability to drill -- to tap into a reservoir, in effect, miles away from the point of entry of the drill strength -- that water-based muds still continue to be a real issue for us. Hence the need for synthetics, and we'll spend a little bit of time talking about that. Synthetics muds, in general, cost more per barrel than either oil-based mud or water-based mud.

Problems with formations, where we have fractures or lost circulation, tend to be very, very expensive because these mud systems are so expensive. And regulatory considerations, I really need to speak to because when synthetics muds were first introduced in the very early '90's, it took a concerted effort on the part of industry to engage the Environmental Protection Agency to introduce these systems into the Gulf of Mexico and other drilling areas in the U.S. And I must say, to the credit of EPA, and with a lot of facilitation from the Department of Energy -- and Nancy, in particular -- we were able to develop a consultative or a collaborative rule-making process that enabled synthetic muds to realize its potential in the Gulf of Mexico. And the contribution of synthetics to safe drilling, faster drilling, decreasing cost has been tremendous. And this has been well documented and cataloged, so regulatory considerations continue to be an important aspect of innovation, not a technological innovation, but to get people to be able to sit together in a room, evaluate potential, conduct a risk assessment, and to decide to go forward has been, I think, unprecedented, certainly in my 20 years in the industry.

And based on talking to some of the real old-timers, that this has not happened before. And we continue to need this kind of innovation, the willingness to go beyond the strict interpretation of what the regulation says; i.e., zero discharge if you have anything that approaches an oil or is non-aqueous, or anything that could potentially cause a sheath, I think this has really been one of the real achievements, certainly in my view, and in the view of my colleagues in industry, in terms of the use of synthetic drilling fluids. Next we'll go to innovative drilling fluid systems because, over the years,

many, many innovations have been made, and this is on the technology side. Synthetic-based muds, the principal one has been an ester system. There are lots of other materials that have been used: Linear alpha-olefins, internal olefins, et cetera, et cetera. We will use esters as a representative class of synthetics. Going into the deep water, drilling, for example, one of the challenges is to find a drilling mud system that would provide the drilling performance characteristics necessary and, at the same time, be protective of the environment.

The recent innovation is something called a low viscosity ester, among others, and low viscosity is important because the traditional ester at normal temperatures, and certainly at the temperatures in deep water, has too high ethionic viscosity to allow it to perform, to be pumped and so on. So the development of a low viscosity ester is a true innovation and a contribution to future successful drilling in the deep water. I alluded to silicate systems a moment ago, and here, we have a mud system, sort of everything old becomes new again. Silicates were used 30, 40 years ago and fell out of favor for a number of reasons. Again, through technological innovations, we now have silicate systems that are water-based systems that provide true environmental benefits along the lines of water-based muds; however, the challenge comes when we get into extended-reach drilling, very high-angle wells, where we need extremely high lubricity, and that's where we see the silicates beginning to fall off on the synthetics; in essence, reign supreme.

There is a concept on innovation called "total fluids management," and different companies, different people, use a different term. What this alludes to is taking a look at all the fluids that are put down-hole in an offshore and onshore environment, and trying to optimize from an environmental impact point of view. Historically, companies have focused more in terms of performance and getting the best in terms of drilling a particular well and find at the end of the day that they have disposal problems with the drill cuttings that are contaminated, perhaps with, let's say, in the old days, it would be diesel. Now we're taking a more holistic approach, and we're looking at everything in terms of toxicity, in terms of its performance characteristics, and optimizing in something we call total fluids management. And if you have any questions, I'll be happy to deal with that later on. I mentioned about this slide, and this is in your package, so I won't spend a lot of time talking about this.

These are some of the characteristics of the new low viscosity ester systems. I mentioned silicates; again, you know, used decades ago, back in vogue, and providing true high performance water-based systems using this technology. I need to comment a moment on health and health safety and environmental aspects because each time we try to introduce something new, in quotation marks, offshore, we have to go through the regulatory process, and sometimes, not only -- and if we're working onshore, not only is OSHA involved as well as EPA, so we have to demonstrate that these things have relatively low mammalian toxicity, have low aquatic toxicity for those things if they are being discharged offshore, but also relatively low human toxicity impacts. And we go through the same kind of process that the chemical companies do, through new source performance review -- sorry, not new source -- it's under the Toxic Substances Control Act. There is a registry that each new substance, in quotation marks, that is introduced into commerce has to satisfy all these criteria from a human to toxicity standpoint, and we also do that for some of these materials.

Silicates, interestingly, have marine benefits. Because they're silicates, there are many marine organisms that have silicates in their infrastructure, if you will. Diatoms, for example, algae needs silicates for growth, and also, it's been shown to increase the growth of muscles, scallops, and oysters. And there is a four-year EU project done in the North Sea where there has been marine cultivation, evaluating the impact of silicates. So, there is a fair body of evidence that not only are we looking at performance from a drilling perspective but also from an environmental perspective. In summary, in terms of silicates, these systems are growing in popularity. They have been used perhaps far more extensively in the North Sea but are beginning to appear more and more in the U.S. They have a unique chemistry that can be manipulated to influence characteristics and, in general, we're seeing that, on the plus side, there are some beneficial effects on the environment.

Total fluids management, I address them again. This is kind of a quick summary that is in your book for you to maybe contemplate. If you have any questions, I'd be willing to address those. I would like to spend just a few moments talking about some of the innovative technologies that Nancy alluded to earlier on. We talk about slim-hole drilling, and this now comes in many forms. We started out with a slim hole being somewhere around eight, nine inches. In general, it's more four and a half, five inches, and even less today. In fact, we're now using coiled tubing which is even smaller diameter drilling, but, again, the advantage is, generally speaking, is the tremendous reduction in the total volume of fluid and cuttings that must be discharged during the drilling exercise. On the negative side, because the

holes are so small, and the tolerances are so limited, we have real problems with fluid hydraulics, i.e., hole cleaning and sometimes with lubricity.

A particular case of maybe slim hole is the use of multilateral completions where if you can visualize a reservoir, say, being this room, you can more effectively drain it, drain the reservoir, by using what we call multilateral completions, and the next we look at -- a particular, for example, using dual completions, where you have stacked reservoirs, you can complete these separately and also prevent commingling of the fluids, so, theoretically, if you had gas one area, or condensates and then oil, and you didn't want to commingle those, using dual completions, that's an effective way of effectively draining a reservoir. Similarly, if you have multiple reservoirs, again, you can stack these, and it allows, through the -- the medium of extended-reach, as well, to be able to hit targets which are many, many, many meters -- tens of meters, in fact. In fact, I think the record now is over 10,000 meters, maybe beyond that, but, the Windfarms Study that I last looked at, they had gone over 10,000 meters beneath marine habitat to target a reservoir, and have effectively begun to produce from that reservoir. So, if we look at the drivers, the main driver for these completions are really economic.

They enhance production capabilities, reduce the number of wells drilled, which significantly reduce costs; reduce the number of slots or requirements on the platform, and subsequently, improve, enhance more recovery sweeps when you need to do that, because these things have gates. You can close these off. You can go back in when you need to do EOR and, in addition, we see the environmental benefits of reducing the footprints, reducing the number of wells, et cetera -- volumes of muds and cuttings discharged, et cetera. In passing, I mentioned coiled-tube drilling which is, in some ways, still in its infancy. The difference between coiled tubing and, say, slim hole is that you do not have a rotating pipe in the case of coiled tubing. And this I'm sure I'm preaching to the choir, but just mention that in passing. Coiled tubing is quite often coupled with slim hole; for example, if you're near your target zone, and you have to sidetrack for any reason, one of the ways to effectively do that is to use a coiled-tubing setup.

In terms of -- and I've gone over a lot of these fairly quickly -- but my conclusions, having talked to a number of researchers and people in the technology development field as well as regulators and so on, is that with the use of innovation, both in terms of drilling and completion technology, combined with technology, technological developments in the drilling fluids area, these have significantly reduced the environmental impact of the offshore E and P industry. I might add that work is continuing to look at things like hydrates, which is a major challenge in deep water. At Westport Technology Lab, that I mentioned right at the outset, there is millions of dollars being invested by various companies and so to look at ways to predict formations that may contain hydrates or might develop hydrates as you drill through them, and also flow assurance techniques to ensure that if these are encountered, that there is a way to prevent problems with flow assurance, which might impact well controlled -- actual control of the well. Treatment technologies for offshore drilling, waste streams have been impacted by space and weight considerations.

There are technologies like critical fluids extractions; there are various thermal systems that have been tried, still continue to be used, primarily offshore, but we're looking at ways to minimize these to more effectively get them on platforms, particularly in the deep water. And so the advent of high performance, cost-competitive, water-based mud substitutes like silicates, the use of synthetics, we believe that we will be able to further reduce the environmental impact, particularly in the marine environment of the industry. And the point that I think should be well recognized by everyone here is the need to engage the regulatory agencies and the NGOs, because ultimately, regardless of the potential benefit of the technology, if it's not permitted for use, whether offshore or onshore, it quite likely will die on the vine. And again, I'll point to the experience we had over the last decade with EPA and DOE on synthetics; that this is going to be necessary as we try to accelerate technologies for the deep water, just to be able to demonstrate some of these technologies needs permits, and if these are not forthcoming, are they because NGOs object, or the regulatory agencies are not willing? These are going to have a significant, negative impact on the environmental performance of the industry long-term. And thank you very much. I think this is the final slide.

These are the comments. Paul.

Don, we'll go back to you and see how we do on questions and time.

CHAIRMAN OLTZ: Questions and comments for the panel.

MR. CARLTON: Carlton, Major Oil. I had a question for Nancy. You had a slide in your presentation where you discussed some things that at DOE had heard, what you have heard, and one of the points concerned increasing energy awareness, engaging in national dialogue. Can you discuss a little bit where DOE is in coming up with a program to effect those things?

MS. JOHNSON: Well, a couple things: One is that the Secretary of Energy does have responsibility, under the National Energy Policy, for a Energy Awareness Initiative. That predominantly started out being focused on energy conservation, and we now at least have the fossil energy participating in some of those discussions. We're trying to figure out what aspects of it can also better inform the public with regards to oil and gas options for the future. Also, in terms of a national dialogue, previously one of the things that we do to stimulate discussion is to work with states' organizations, such as the Interstate Oil and Gas Compact Commission, and sometimes what we'll do is provide the seed or grant money for a national study to ascertain what the nationwide situation is, and hopefully, at least in those kinds of forums, stimulate some dialogue. We also have the National Petroleum Council as an advisory body to the Secretary of Energy. And I think one of the best examples of a report that they released, which did receive quite a bit of attention, congressional hearings, and folks around the country looking at it was the 1999 Natural Gas Study.

So, we'll be looking to use the National Petroleum Council again as a future mechanism. Beyond that, it's a question; I would like to get together with the folks at the Department of the Interior and try to figure out, you know, where our opportunities lie.

If there is a way that perhaps we could assist the OCS Policy Committee in some kind of endeavor along these lines, you know, we'd be glad to do that.

So for us, it's trying to figure out where we go from here, recognizing that we have some tools in our stable already.

MR. CARLTON: Thank you. I think that's a struggle for all of us: How do we go forward with initiating these types of programs.

MS. JOHNSON: Right.

MR. CARLTON: Thank you.

CHAIRMAN OLTZ: Other comments? Paul, we've got about 25 minutes left, here.

TECHNOLOGY AND ASSESSMENT RESEARCH PROGRAM – PAUL E. MARTIN

MR. MARTIN: I'd love it. Last presentation. As I said starting out, over the years, you've heard a lot about our Environmental Studies Program within MMS. You heard a little bit about or you've heard the term mentioned a couple times, the Technology Assessment and Research Program. The Technology and Research program is really a combination of two focuses: One is the operation, safety, and engineering research; and a second component of our program is the oil spill response research.

We have some very specific program objectives for our TA&R program, to provide the direct technical support for regulators in the field, our regional offices. As they make their day-to-day decisions, quite often requires some input and some research to look at the alternatives and get them some research, technical information to back up or to give them options on some of their decisions. The second objective of our program is look across the board at industry innovations and assure that our regulations address some of the new technologies coming on board, and making sure that some of the new technologies being employed by industry are covered by our regulations offshore. Third is to serve as a catalyst for industry research, and this was the original purpose behind the TA&R program when it was set up in the mid-'70's. The perception was that industry was not spending money to look at the safety of operations and was more focused on the bottom line. And so one of our continuing objectives is to look at various topics across the -- the offshore, and to try and spur our industry into some additional research into these areas. I'll talk a little bit more about that later. And a fourth objective we have in our program is to support the international cooperation on operational safety and oil spill research that is going on throughout the world. We recognize that there are things happening offshore Brazil and things happening offshore Norway that do impact the -- the U.S. Outer Continental Shelf. We have a group of international regulators forum in which some of our LMS officials meet routinely and

regularly with other regulators throughout the world. As a matter of fact, I think next week, Carolita is on her way to Australia to meet with the regulators from Australia and New Zealand, Great Britain, Canada and other organizations. These -- also, these groups also support some research in the, again, safety and oil spill operations, and we have that as one of our objectives of our research.

We're very -- compared with our environmental studies program, we're a very modest program. I get appropriations from three different sources on the hill, just directly, the TA&R appropriation is 885,000. I get an appropriation for the Offshore Technology Research Center, which is there in College Station, Texas, and I'll talk more about it in just a few minutes. And I get money also from OPA 90, as well, to support oil spill research as well as oil spill prevention, and also to fund the operation of our Ohmsett facility, which, again, I'll talk about in a couple minutes. And basically, this is the way the money is distributed. The two facilities, the OTRC, if you notice, I said I got 900,000 dollars for OTRC, we are directed by the hill, over the last two or three years, to spend 1.4 million dollars at OTRC. So they give 900-, and they tell me to spend 1.4 million, so that's -- that is an interesting position. We do the best we can, and we'll talk about that in a few minutes.

Ohmsett is a unique facility. Again, it takes up about 33 percent of our overall money, and then I have about a million dollars I spend on oil spill research as well as the Operation of Safety Research. Ohmsett, many of you have been there. For those of you who have not, we would be glad to get you up there. It's a unique facility in North American -- perhaps throughout the world -- the size of two football fields, and it's the only place that you can test full scale oil spill containment and clean-up equipment using real oil. You cannot do this -- you cannot dump oil offshore, even research and test the effects of these capabilities. Many manufacturers now test their equipment with tennis balls and oranges, but this is the only place in the world that we know of that you can actually test your equipment full scale. We can produce up to three-foot waves, give you a harbor chop, and we can tow -- move skimmers up and down the tank about six and a half knots. Some of the other activities we do at Ohmsett, the Coast Guard uses the Ohmsett facility to train their strike teams. We look at in-situ burn research. You see others there. One of the things we're very excited about is, in starting FY 2002, we are developing the capability for cold-water testing in Ohmsett. That means that we can test booms and skimmers that are designed and manufactured to be operating in broken ice conditions.

We're also looking at the effectiveness of dispersants in cold-water operations. Offshore Technology Research Center, again, is a -- was set up by National Science Foundation as a center for engineering research back in 1988. For ten years, it was funded by National Science Foundation for two million dollars a year. The industry kicks in about two million dollars a year, and the State of Texas kicked in about two million dollars a year. The mission of OTRC is to conduct basic engineering research and test technologies for deep-water oil and gas production, and also to educate the engineering students. A primary focus area is on the interface and materials between the offshore structures and the water there. Now, two things here, as I talked about the research there, they conduct basic engineering research. A lot of our program is aimed at providing short term, one- to two-year-out research for our decision-makers, and so we have a little problem there and a little conflict with OTRC. In the last couple years, we have been able to access petroleum engineering departments at Texas A & M University and the University of Texas through our cooperative agreement with OTRC, and able to engage them in some of our day-to-day research issues. We looked -- about a year or two years ago, we looked at what would influence our research in the next five years. And right at the very top of the line was technology has been applied all across the -- the gamut as far as offshore is concerned. It's in drilling production, pipelines, technology. As much as it has impacted your personal lives over the last ten years or so, it has been dramatic impact in all of the offshore operations. And we have to look at technology and what it means for offshore.

The operating environments, the deep-water activities in the Gulf of Mexico -- and you've heard about the operations going forth in the Arctic. Again, there are many factors that come out of these operations that we feel that we have to address. Not only do we have to know what industry is doing, but we have to give our decision makers some information to look at some of the regulatory decisions. Unless we all start focusing on the deep-water and the new things coming on, one of our other primary factors affecting our program is the aging infrastructure. In the Gulf of Mexico, you have platforms that have been there 30, 35 years. As the price of oil goes up, the lives of these platforms get extended, and we need to be aware of the impact of the elements on the platforms, and we need to -- not only platforms, but also we have about 30,000 miles of pipelines in the Gulf of Mexico. And so, while we like to focus, and it's fun to focus on the evolving technologies, we also have got to be aware of MMS and what is happening with the infrastructure on the shelves.

To give you an example, before this may come into play -- you heard the presentation yesterday by Keith, and he was talking about the LNG facility coming on board, and they were going back and looking at some under-utilized pipelines. And the -- to transport the LNG back to their existing facilities. Some of these pipelines may have been out of service for five or ten years. The issue is, "How do you know if they are safe?"

So we get off on to this, and we have to look at activities such as that. And also, we have turned our program, over the last several years, about 75 percent of my money is spent on the first two bullets I showed you, which is providing direct technical support to our decision-makers in the field. And we are doing much more of that and a lot less of the basic research. Basically our program is more of an engineering status program and it is basic research.

I want to take you real quickly through the -- some of the activities that we're looking at. We approach our program through more or less the topics rather than region by region, because a lot of concerns are across more the topic than a particular region. I'll just point out, many of you, as I have said, unaware that we get off into a lot of these issues. Whatever the industry is doing as far as new blowout prevention equipment. We need to know the reliability of the equipment, how it works, what the problems are. Under-balance drilling is something that has come into the Gulf of Mexico. Deepwater blow-out control, again, as we get into deep-water, the procedures used to control blow-outs are not the same as that would be used in shallow waters. The industry is developing these technologies. We often join with industry and joint projects to look at the regulatory and safety aspects of these drilling new technologies.

Again, production. You've heard of FPSO's in the last couple of days. Floating production systems have not used in the Gulf of Mexico. We needed to look at those, what -- we did a comparative risk assessment to look at the risk with FPSO's versus the other risks of similar production facilities in the Gulf of Mexico. What were the risks? How could they be mitigated? How were they comparable? We get off into structures and materials. Synthetics are being used more and more offshore as a substitute for steel because of the weight considerations. If you're going to have a -- synthetic risers, materials and all, then we need to be aware of the functionality of these types of risers, how they wear compared to others, what the reliability may be. Synthetic moorings is something we talked about, reducing environmental footprint. Synthetic moorings come into play in using polyester moorings instead of steel and cable moorings -- systems. It will reduce the environmental footprint by maybe 25 percent, because the moorings and all extend to a whole lot further degree away from the drilling location than do the synthetics moorings. Again, it's an enabling technology. It's being looked at as -- by the companies as a means of being able to access some of these deep-water drilling locations, but it also has a element that reduces the environmental footprint.

Pipelines -- you've heard a lot about pipelines in the last couple of days. We get into all types of activities. The corrosion, again, we, as far as decommissioning pipelines in the Gulf of Mexico, we -- the companies that may apply to leave the pipeline in place -- as a matter of fact, that is probably the more preferred environmental way abandoning a pipelines. But, again, if someone was going to come back and look at a pipeline in two or three years, what are the issues that we need to be aware of? And how do we maintain those pipelines? How does industry maintain them? And how do we know if they're safe when they come back? What tests are the operators required to do?

The issue of California decommissioning. You have size platforms out here, the bottom founded, that have never been taken out in the world. Last year, we did a state-of-the-art assessment, how is industry going to take these out? What techniques are available for taking out these platforms? We'll try and provide this information up front. It is going to be three or four years before, perhaps, these platforms come out, but, Lisle Reed and his folks out here need to know the options that industry may be considering, and what are the pros and cons of each of these options? Again, the same thing we are doing for pipelines. An element you don't hear real a lot about is the risk assessment of human and organizational factors. A lot of our accidents offshore are the result of human factors. And you don't hear a lot about that, and we and the industry, both, we did a workshop about three or four years ago looking at companies and how were they addressing the human factors' operations offshore?

We heard a lot about new techniques, new programs, and we're going to be conducting another workshop in April, in Houston, that says, "Okay. What's happened in the last four years? What has worked? What hasn't? Who is doing what?"

Changing to oil spill real quickly, one of the issues in the Gulf of Mexico is what happens in the event of a deep-water spill? Will the oil come straight up to the surface? Will it get entrained in the water column? What happens to it? If it gets entrained in the water column, how do you detect it? How do you track it? Where do you know that the spills

would come up? And we had a project -- I think you've heard about Project Deep Spill -- we joined with 26, 27 oil companies and did an actual release of oil and gas offshore Norway to look at the various techniques and -- and the various activities about what happens when you have an oil spill? We look at clean-up techniques and ice environments. Again, if you've heard of Alaska, one of the big issues is how do you clean up oil in a broken ice condition? Again, if you get an oil spill, and it is under the ice, how do you go about detecting it, tracking it?

And this is an international issue; it's not just the U.S. We do a lot of work with the environmental Canada, with the Norwegians and other countries throughout the world have ice environments. We look at using dispersants and in-situ burning as an option for addressing oil spills. Different oils and different situations will require different response techniques.

And finally, we work with some of our folks in our Environmental Studies Program look at what happens when you spill oil? What happens to the oil? How does the spill behave? The emulsion is formed, and that's what I wanted to tell you. We have a program that we address a lot of day-to-day operational issues. I've heard some expressions about, "Well, you know, once we lease, it's kind of like MMS goes away. And we do not." We're there from before leasing occurs to after the platforms are taken out, and we try to provide backup for our decision-makers with engineering and solid research. And I just wanted you to be aware of that function that's out there.

And there is a lot more information on our projects. We generally have about 30 engineering projects, and maybe 25 or 30 oil-spill projects ongoing at any one time. You can access the information on our webpage there. You can see what we're doing. You can download reports, and it's a very good program for a very modest cost.

CHAIRMAN OLTZ: Thanks, Paul. Questions or comments on this program?

I guess my observation would be that you are underfunded, but we all are.

MR. MARTIN: Carolita is glaring at me, so I won't dare say, "Tell her."

CHAIRMAN OLTZ: Thank you and your panel for the presentations. We appreciate it very much. I think we're about ready to break for lunch.

I will need to leave during lunch and will not be here this afternoon, but George Banino will serve capably as the Chairman this afternoon for the rest of the session. I might suggest -- out of order here, of course, but since I'm leaving -- that collectively, maybe not as a resolution, but just as some sort of paper that we agree to send something to Jerry Henson to encourage him in the continued recovery that he is undergoing right now, and wish him best wishes for rapid recovery from his colleagues here on the Committee. I had an opportunity to read the article in "The Washingtonian." If you get a chance, get a good look at it. Give it a read. It's pretty heart-rendering, actually. With that, we are adjourned. Thank you.

(Noon recess - 11:55 A.M.)

AFTERNOON SESSION - 1:30 O'CLOCK P.M.

VICE CHAIRMAN BANINO: Good afternoon. For those of you who have made it back from lunch, welcome. I hope I didn't shatter anybody's nerves with that gavel. Not too surprisingly, it will take a few minutes for everybody to get settled. I also know that there was a certain contingent of our group that took a trolley after our break for lunch and headed south. They're not back yet. They went to lunch not to Tijuana.

During the break for lunch, we had handed out to us the questionnaire that we have gotten used to, and I've learned, now being involved with the Agenda Committee, that it is extremely useful to the Agenda Committee in terms of planning the next meeting.

If you don't think that you have any input into the program, it's because you haven't completed one of these or haven't given us your thoughts. It is very important, so I would encourage you to complete it. Either give it to Jerryne or leave it at your place when you leave, but, it is something I urge you to do.

With that, we'll start the afternoon program. We're going to start this afternoon with Ocean and Coastal Policy Initiatives, and Ken Turgeon is our Moderator, Ken.

OCEAN AND COASTAL POLICY INITIATIVES PANEL

MODERATOR – KENNETH W. TURGEON

MR. TURGEON: Thank you, George. What I'm going to do, and I think what we're all going to do is kind of give you just an update status; we're not going to rehash old history here. You've heard this in previous meetings, so we're just going to do the status update.

And the way we're going to run this is right there, we have seven major initiatives that we want to cover. I will be covering the first three, which are domestic initiatives. Two of them are private; one is -- well, two -- one is totally private, the Heinz Center is private, funded with federal money, and the Marine Protected Areas is under the Executive Order that President Clinton signed way back on May 26th, 2000. And then Carol, who is the Chief of our International Activities and Marine Minerals Division, will handle the next three, which are international initiatives. And then Commissioner Paul Kelly will talk about the status of where things are and maybe what the future holds, at least in the near future, for the Commission on Ocean Policy. In the short version, it's called the Ocean Commission.

Leon Panetta is the Chair of the Pew Commission. The Pew Commission came into existence not this summer but the previous summer. And I'm not going to read the purpose there, but the focus is primarily, I think, on coastal areas as they relate to pollution, development, fishing, aquaculture, invasive species, and of course climate change. And then to submit a report to Congress and the nation, and that report is due in April 2002. They have added several new members recently, and I'm not going to go over all the names. You have a pile of handouts on these topics in your package, and they even have websites if you want additional information, so you can read that. The one name I will mention is Governor George Pataki -- was added to this Commission fairly recently, along with about three or four other people.

The Pew got off to a slow start. They picked up steam. They brought on board, just again, recently a new Executive Director, a man named Christophe Tulou -- Tulou? I don't know him, but I understand he has had tremendous experience up on the hill. They have had several regional meetings. Those are the ones with the single asterisks, and, as you can see, there are six of those that -- there are five -- four of those they have had already -- five, I guess -- and they have got two more coming up, one in Anchorage, one in the Gulf of Mexico. And I think it's because they brought Pataki on board at the end of this month, the 28th through the 30th, the Pew Commission will be meeting in New York City, so they have added one more venue.

Up at the front there, first paragraph, "Purpose," it says, you know, Congress and the nation. One thing, for people that might not be familiar, Congress and the nation did not ask the Pew Charitable Trust to pull together a Commission and submit a report. The Pew Charitable Trust decided to do this on their own, and then decided who they were going to submit that report to. So that's what I meant when I said this is totally private, totally independent.

Questions have been asked, once the Ocean -- the official Ocean Commission, i.e., the Commission on Ocean Policy, was appointed by the President, how does the Pew Commission and this Presidential Commission relate to each other? How are they going to interact? And Leon Panetta, who chairs the Pew Commission, and Admiral Watkins, who chairs the Ocean Commission, have already been meeting and discussing the roles of both Commissions and how the Pew Commission Report will feed into the Ocean Commission's deliberations. I think both men, both Commissions, do not want to feel as though they are going to be working crosswise with each other. I think Pew recognizes its limits as a totally independent, private commission, and I think the Ocean Commission wants to benefit from the Pew but don't want to feel as though they're being beholden to them, or they sort of had their fire snuffed out because the Pew Commission Report is going to come out about six months or so before the Ocean Commission Report. The discourse between the two Commissions, obviously, is going to continue and both will keep each other apprised of what's going on. And, as a matter of fact, the Ocean Commission is going to be meeting on November 13, 14 in D.C., and Leon Panetta will be giving a presentation there.

Marine Protected Areas. This is under that Executive Order that I mentioned came out in May 2000. It basically directed two key things: One was for the Department of Commerce and Department of Interior, to basically work together, to establish an inventory of national -- of marine protected areas in the United States, and then make

recommendations for a national system of marine protected areas. That's on track. One thing that's kind of got slowed down is almost a year ago -- actually, it is a year ago, a team of DOC-DOI staff got together. A call went out for private-sector people to serve on an Advisory Committee that was mandated in that Executive Order. These were scientists and resource managers from the private sector to help advise on the national system of marine protected areas that was supposed to be recommended. A draft list of about 25, 26 names was pulled together. That list was submitted up into Commerce. Of course, we had a change in administration, and when Secretary Evans came on board, he looked at the list, and I don't think he felt comfortable that it had the appropriate balance among all the ocean sectors, and so he basically told his people, "I want to go back on the street, and I want to advertise for new nominations." The old folks -- not old in age, but the people that went through the first process, will be automatically grand-fathered into the process, so their names will stay on the list. And that's what happened. This past August, the Federal Register Notice was put out. Nominations were due in by the end of September.

Those of us that are sitting on the DOC-DOI Review Committee were chagrined to find out we now have over 350 names which we have to cull down to about 30 for the Secretary of Commerce to consider. It is an eight-person review panel. And, as I've pointed out, they're in red, and then MMS is represented on that panel. It's four folks from Commerce, four folks from Interior, at higher levels, staff levels. Things are moving slow, and you can understand why. Nobody foresaw September 11 and what's happened since then. At the best guess, we figured it would take until the end of this fiscal -- this calendar year to make the final selections. It would not surprise me now that that's going to get put on the back-burner and maybe take a little longer because the administration's focus, as you know, is elsewhere. But we'll see what happens there. But that's where this part of it stands. In terms of the list of marine protected areas, the site is up; there is a center that NOAA created, and again, you have the website, and you can go there and see what's available for the public as well as -- well, anybody to look at. The other part of that Executive Order directed EPA to use its Clean Water Authority -- Clean Water Act Authority, to be correct -- to come up with new criteria for protecting federal waters. EPA decided it was going to do this using its Section 403, which is ocean discharge.

Back in December, there was a final proposed rule -- if I'm using the term right -- that was developed, and that rule, EPA recommended four, what's called, special ocean sites. They proposed new water quality standards for healthy ocean waters, which is all U.S. federal marine waters does. It does not include state waters. And that was run through the various ocean -- federal ocean agencies for review. Comments were made. It was reviewed at OMB. Agencies fed comments into OMB, at their request, and again, there was a change in administration, and that rule kind of sat over in the Office of Water at EPA. It was resurrected in August -- at least that's when I first saw it. There were some changes made. Instead of recommending by name special ocean sites, the new version said, "We're just going to recommend the process for identifying special ocean sites." It did keep the water quality standards in there. I think they're the same as they were in the old, but basically, the real key change between the first version and the second version is process for SOS's as opposed to naming SOS's. Then all of a sudden, on the 29th of August, this e-mail came out to a bunch of federal agencies saying, "Here is the new revised proposed rule. Please review it, get your comments back to us, and by the way, we need them no later than September 5th" -- six days. And if I'm correct, I think the 29th was a Friday. I could be mistaken. We did it. We responded to EPA and then again, September 11th hit. No further action has been taken on this rule. I have talked to my contact over in the office, who was following this for them, and basically their primary focus right now is to work with the City of New York to figure out how to get rid of all that toxic stuff from the World Trade Center Buildings through ocean dumping. Because nobody wants to put it on land. There is no place to put it, and so The Office of Waters total priority is working with New York City to identify emergency ocean dumping sites for getting rid of that waste material from the Trade Center. And nobody is talking about this proposed rule at this point, and I don't know when it will resurrect again.

And then lastly, the Heinz Center, NOAA came to the Heinz Center probably the beginning of this past -- of this past summer of this year and asked them if they would do a review of the coastal zone management. They wanted to see basically was our Coastal Zone Management Plan -- were our Coastal Zone Management Plans working. And how could we develop what's called performance indicators and measures to determine if they were. So, the study objective, obviously, that reflects that in terms of developing a framework for results-based management using those indicators. The panel held its first meeting on, as you see there, August 27, 29 in D.C. What they basically came up with was just kind of developing what's going to be the scope of our activities. And within an 18-month period, when our report is due, what can we really address meaningfully. And so they identified the focus areas that they were going to look at. And they have limited that to three basic areas: Public access, with an outcome statement says change in amount and quality of access opportunities available to the public. This is beaches availability to get to the ocean, enjoy it, be it swimming, boating, just sitting on the beach watching the sunset. They were looking at coastal habitats and bio-

diversity changes in ecosystems structure and function. Is it deteriorated? If it was deteriorated, what is deteriorated? Is it getting better? And then coastal communities, looking at things like development and redevelopment of the coast, in accordance with those Coastal Zone Management principles; i.e., do State Coastal Plan Management Plans really work in terms of what's happening along the coast, and the expectation that something like 80 percent of this nation's population, I guess, or 75 percent are going to be living in the coastal zone over the next few years. That's just up and running. To the best of my knowledge, they have not held a second meeting. But the critical thing is what I've just covered briefly. All of this information is going to fill into the Ocean Commission that Paul sits on, and this information is going to be used by the Commission. And that Commission's Report is the one that's going to be the official government position or official government recommendations. And so that covers the three areas for me. And I'm now going to turn the button over to Carol, who will talk about the United Nations activities. She's going to be covering three of those, and we'll see how they relate.

INTERNATIONAL ACTIVITIES UPDATE – CAROL A. HARTGEN

MS. HARTGEN: Thank you, Ken. I would just like to begin by saying that about a month ago, there was a group called the Oceans Policy Coordinating Committee that meets at the Department of State and consists of representatives from a suite of federal agencies that have issues associated with the oceans: The Navy, the Coast Guard, NOAA. OMB is on that committee, as well as CEQ, the Minerals Management Service is there, and Bob Smith, who sometimes attends these meetings from the State, is from the Oceans Office in the Department of State.

I would like to talk about three -- three items today: First, the status of the Law of the Sea Treaty. When the administrations changed the consideration of international issue and policy was being examined in the context of what had gone on before and the formulation of the administration's policy. That was a deliberative process and was slowly beginning to result in various directions that the new administration was taking. At such time as that happened, we had the terrible event of September the 11th. On the Law of the Sea, one of the things that has been said is that the priority has not yet been established by the administration as to what priority that will take. State is still waiting to hear from the Department of the Defense; needless to say, the department is -- is busy with a number of other issues at this time. The State Department continues to be concerned because of the elections to two of the bodies established by that convention. The Continental Shelf Commission and a dispute resolution body. The United States is not able to be at the table and exchange their views as a part of that international forum, and I know the committee has heard about this in the past.

The United Nations General Assembly Resolution on Oceans, the United Nations General Assembly, on an annual basis, adopts a resolution on oceans. Two papers have been developed, and the subject of those papers have been, "Marine Science Research," which Ken Turgeon has reviewed from our agency, and "Piracy at Sea." The scheduled adoption of the resolution by the U.N. is scheduled to take place at the end of November. Next year's resolution and the topics for that resolution are currently being considered. And the first of those is capacity building and technology transfer, regional approaches to managing the ocean, ocean stewardship, and marine protected areas. The next informal consultative meetings will occur at the U.N. in New York in May of 2002, at which point the U.S. government will have chosen two prime issues that it seeks to have as part of that resolution. It's quite clear that capacity building will be one of those. Of the other three that are up there, it's not yet clear which of those will be on the agenda. But that will continue to be discussed over the months ahead.

The other thing I would like to talk about is the World Summit on Sustainable Development. That summit is scheduled to be held in Johannesburg, South Africa in the fall of this coming year. It basically is a follow-up to the meeting that was held in Rio, and is sometimes known as "Rio plus ten." I have available on the table out there a list of the meetings that are leading up to the summit. There are a series of meetings, and at those meetings, there will be the development of various white papers, issue papers, concerning the issues that the various countries would like to bring up at the summit. There is a December meeting in Paris sponsored by the University of Delaware and UNESCO, and I know we have been invited to participate in that meeting. The topic will be issues associated with the oceans. The key meetings will take place in New York at the beginning of this -- this coming year. And at that time, the U.S. position on what should be addressed at the South Africa Conference will be determined. And so those key meetings are January 28th to February 8th, and March 25th to April 5th. And I know I had some questions earlier in the day about whether interested parties could attend those meetings, and I will find that out and get back to those who asked that question. The issues being discussed include fisheries, ocean governance, natural resource protection. There are also meetings in

April, an APEC meeting on oceans in Korea, and it will consider topics for the upcoming Sustainable Development Summit. That's all I have. Thank you.

MR. TURGEON: Before I turn this over to Paul, I was going to go against what I promised and just give a little background history on the Commission on Ocean Policy, a.k.a. The Ocean Commission. Swear to God, this goes way back to something called the International Year of the Ocean, and Tom Kitsos and I were heavily involved in that. We thought, "Well, it will be nice and then it will be over," and then that led to the National Ocean Conference, and I thought, "We'll have a National Ocean Conference," and that will be nice, and then it will be over." And then all those executive directives came out of it, and I get involved in those. And I thought, "When that is done, that will be nice," and all of a sudden, in September 1997 -- actually, before all this happened, Senator Hollings submitted a bill in the Senate, at the very end of September, called the "Oceans Act of 1997," creating an Ocean Commission.

He got some cosponsors, and several months later -- I don't think more than three or four -- a companion bill was submitted in the House. I can't remember who submitted that one. I should but I can't, except that there was vast differences between the two bills. They were calling for different things with different responsibilities. And the House and the Senate could not reach a compromise, and so they went back and tried to work on a compromise bill, and nothing happened. Didn't make it in '98; didn't make it in '99. And then all of a sudden, in the year 2000, September 2000, low and behold, a bill was passed in the Senate. I think it was virtually a unanimous vote. The House used something that they don't have to vote. They put -- it's basically on what's called a consent calendar item -- that isn't the legal term. And by that, they were able to get around the hearing process and such, and that's how they passed it.

And we had an Ocean Commission. It is called the Oceans Act of 2000, but it really went back to September 1997 at the first attempt by Senator Hollings but it -- that evolved over those three or so years. These other activities that I mentioned, the Year of the Ocean and then the National Ocean Conference, the Executive Orders, the Presidential Directives, and the exploration of the sea, the need for education of the American public, national health, all of that started factoring very, very strongly into the new language of the Revised Oceans Act. And I think the Oceans Act that got passed reflects very nicely, almost very directly, on all those other things that had been happening and leading up to its final version. Anyway, in August of 2000, the House, the Senate, the Congress, passed the bill, and it was just a few days later that the President signed it, so that Oceans Act of 2000 became effective in August.

And then again in January, we had a change of administration. Even though it was signed and passed -- passed and signed in August of 2000, because there was going to be a new administration, the bill specifically said it would not go into effect until January 20th of 2001. And with that, things moved real quick. We got a Commission named. As you know, they are setting up the office with Dr. Kitsos now as the Executive Director, and then there will be other staff added, some detailed, some not. I think with that, this is a good point to turn it over to Commissioner Paul Kelly, and he'll fill you in on not the history, but what's going on right now.

THE PRESIDENT'S COMMISSION ON OCEAN POLICY – PAUL L. KELLY

MR. KELLY: Thanks Ken. As you can see, here, the Oceans Act provides for a scientific advisory panel, and the names -- the Act calls for names to be suggested by the National Academy of Sciences Ocean Studies Board. And names have been submitted, but the Commission hasn't really gotten into that issue just yet. It's been busy largely on administrative activities, getting the office set up, and selecting staff and so forth.

You can see here that the Commission is going to cover a wide range of topics. And Ken gave you some hint of these: Protection of life and property, stewardship, protection of the marine environment, enhancement of maritime commerce, expansion of human knowledge of the marine environment, investments in technologies to promote energy and food security, close cooperation among government agencies, and to reestablish U.S. leadership in ocean and coastal activities.

There is a perception that we have fallen behind some of the activities going on in Europe and Asia on ocean research and leadership. We are charged with writing this report. The starting gun for the report was fired a month ago, and we have 18 months to complete our work.

And the representatives of the -- of the states here will be interested to know that the Act calls for review of the draft report before it's finalized by the governors, so the governors will get a chance to look at it. And their comments will be included, I guess, as an appendix to the report when it's sent to the President.

You can see here a large number of activities to be covered: Facilities, federal activities, the cumulative effect of federal laws (MISSING.....)

Definitely a perception that we have a tremendous number of laws and regulations that apply to ocean and coastal activity, not all of which were done in coordination with one another. We're going to take a look at trying to rationalize those. We will cover supply and demand for ocean and coastal resources, the relationship, the vertical relationship between federal, state, and local governments in the private sector, in addition to the horizontal relationship among government agencies involved in ocean policy.

And opportunities for investment in new products and technologies, and modifications of federal laws and/or the structure of the agencies. One of the -- one of the very actively debated provisions of the law was this final one in blue, and it resulted in this language: That, "The Commission is to give equal consideration to environmental, technical feasibility, economic and scientific factors. In addition, the recommendations may not be specific to the lands or waters within a single state."

These are the members of the Commission. Admiral James Watkins, at our first meeting was elected Chairman. I think many of you are familiar with him. He was Former Chief of Naval Operations, Secretary of Energy, and most recently, Head of CORE; Robert Ballard, the well-known undersea explorer; Ted Beattie, who heads the Chicago Aquarium; Lillian Borrone, former Deputy Head of the Port of New York, New Jersey; Jim Coleman, certainly a friend of this committee, formerly head of MMS's Scientific Advisory Panel. He's with LSU. Ann D'Amato comes from a position in the City of Los Angeles, and was raised in a commercial fishing family here in California. Larry Dickerson, President of Diamond Offshore Drilling; Vice Admiral, Paul Gaffney, some of you may know him -- a career in the Navy, very much involved in the oceanography program. Let's see. Mark Hershman, from the University of Washington, a professor there. Let's see. Christopher Koch -- I'm having a senior moment with Christopher Koch.

MR. TURGEON: Can I jump in?

MR. KELLY: Yeah.

MR. TURGEON: I'm not sure what the official name is basically he is head of the International Shipping Council.

MR. KELLY: That's right.

MR. TURGEON: Out of Virginia.

MR. KELLY: Frank Muller-Karger is a professor in Florida; Ed Rasmuson, the Alaska community here will certainly recognize his name. Well-known banker in Alaska from one of the pioneer families there. Dr. Andy Rosenberg, University of New Hampshire; William Ruckelshaus, former head of EPA and Deputy Attorney General of the United States; and Dr. Paul Sandifer from the State of North Carolina. So you can see we have a very diverse group. All of them are interested. I've been impressed with the chemistry we have so far. Everybody has -- has national interests at heart and they have all been very hardworking, so far.

The report done as a follow-up to the Year of the Ocean, "Turning to the Sea America's Ocean Future," has a summary of items under the topics of sustaining economic benefits, protecting marine resources, strengthening global security, discovering the oceans. This gives you some idea. We haven't yet really established our priorities; we're working on it, but you can see there is an enormous potential number of items to cover, and there is no way we will be able to do it all, but we're going to try to rationalize this. We have -- at our first meeting, we set up a committee structure to try to tackle some of these activities more efficiently.

We have a research and education working group, really, under the leadership -- that will be under the leadership of Jim Coleman from LSU. We have a Stewardship Committee under Paul Sandifer, from North Carolina, and William Ruckelshaus will chair a Governance Committee. Subsequently, to be phased in later is an investment and development

committee. When we kind of look at what the products of the work of the other committees may be, and look at the whole question of what we need to do in terms of U.S. ocean policy to move forward. Where are the opportunities for investments and development? We will phase into that activity. And on the left, in the left arrow, you can see how all these activities will sort of flow through the three working committees. And we expect there to be a lot of overlap among the work done by these committees.

And, to the extent we -- we're still defining the work priorities of the committees. These were some of the early ones that were put on the table at our first meeting under research and education as well as stewardship. And here again, you see governance. Some of the things that can -- can be looked at under the topic of governance, a lot of these issues we're very familiar with the work we've done on this committee. And then investment and development, that one that will be phased in a little bit later. You can see some of the topics that were put on the table at our first meeting. And again, as I said, we're still sorting through these, identifying issues, coming up with ideas, and trying to prioritize them.

This is a working overlay for the full Commission, looking at -- looking at sort of, you know, over-arching issues that -- that will drive all the committee recommendations, and those involved sustaining economic benefits, protecting marine resources, strengthening global security, and discovering the oceans. The -- the Oceans Act actually calls for us to have a minimum of six meetings away from Washington in the regions of the country, and you can see this was a very tentative schedule. It's still being worked on, to update you on that. The next meeting of the Commission is scheduled for November 13 and 14 in Washington, as Ken indicated, and at this first meeting we're going to hear from national organizations and government agencies, taking a broad, national perspective and then after this meeting, we'll head out into the different regions. We -- we have now set the first meeting for January to cover the Southeastern Region of the U.S., for Charleston, and I think the date of that is, as I recall, is going to be January 14, 15. If not exactly those dates, right in that mid-January time frame. We will be going to the Gulf of Mexico region, I think it's likely that there will be two meetings, probably one in Tampa and one in Houston. And we know that we will be -- we've been invited by Ed Rasmuson to go to Alaska in July of next year. And the others we'll still working on.

One thing I might mention, with respect to the regional meetings, the Commission members have agreed that we have an awful lot of ground to cover, and there may be some sub-trips when we go to a region with a minimum of three members of the Commission, at least one from each of the working groups, that might go see a special facility that relates to our work. And so, that's -- that's another distinct possibility as we go forward into the regions. I think that about covers -- let's see, I can't get back, but that covers -- that covers it pretty much. And I think, Ken, we're now ready for questions.

MR. TURGEON: Okay. Before we go to questions, one thing I want to stress, the last ocean commission we had -- and I don't know its name -- it ended up just being known as the Stratton Commission, because Stratton was the Chair -- was done back in the late 1960's, I believe, '68, '69 time frame. Several important things came out of that. The National Ocean Atmospheric Administration came out of that; the Stratton Commission Report, the Clean Water Act came out of it, the Marine Mammal Protection Act came out of it, several other ocean protection acts came out of it, and if I'm correct, I think maybe even parts of NEPA, if not all of NEPA, came out of it. It's been 34, 35 years between commissions in terms of when the reports will be turned in. The people on this Commission are powerful people. I don't mean that derogatory. I mean they're highly respected in their fields. They're well known up on the Hill. They're well known to the White House, and as a result of that, when this report comes out, it is going to be looked at very, very carefully and those recommendations are going to be taken very, very seriously. And I think we have the opportunity -- I wouldn't bet on this, and I won't make any specific projections -- but I think many of the key recommendations that this Commission will come up with will be put into place by Congress and by the administration. And as a result, what I'm saying is, we can see some major changes in the way we deal with the oceans, just like we did when the Stratton Commission was taken up by Congress and by the White House. So, just with that little perspective on my part, we're more than happy to address any questions or comments that you might have. Just let us know who they're for.

MR. KELLY: Ken, before we take questions, I wanted to say that Donna quickly corrected a slip of my tongue when I said that Paul Sandifer was from North Carolina. He is from South Carolina.

MR. TURGEON: You would think they would want to take the credit, wouldn't you?

MS. MOFFITT: We'd love to. I didn't know his name, so I thought how did I miss this person?

MR. TURGEON: Paul is head of the South Carolina Department of Natural Resources.

MR. BAIRD: Mr. Chairman, Brian Baird from California. I have two questions. The first I think I know the answer to, and it's for Paul, or your new Executive Director over here -- Mr. Kitsos -- I just thought it was interesting terminology that no recommendations -- recommendations may not be specific to a state as opposed to cannot be. I mean is it -- is it -- I mean I assume it is saying they not going to have any specific recommendations that go towards any state. It sounded a little permissive. Any thoughts on that?

MR. KELLY: I wish I knew more about the legislative history of that provision. I just don't. Do you, Ken?

MR. TURGEON: It looks like Tom is grabbing the microphone, so I will defer to him.

MR. KITSOS: Kitsos from MMS. From what I understand, that's not really permissive. I think the Commission is basically prohibited by the statutory language from having any -- any provision. Any recommendation specific to a particular state. I mean, I think that's the way it will be interpreted, Brian.

MR. BAIRD: And one other quick question, and this is for you, Tom, I think more so, having done this sort of strategy for the State of California, which was basically look at every single thing that has anything to do with stewardship, economics, research, or governance, and I recall spending months, and I'd be driving back and forth to my office asking myself why I decided to take on this job, I'm just curious what kind of staff support are you going to have on this project? Just, what is the staff support going to be?

MR. KITSOS: I think it is basically going to be me. So if you are volunteering -- no. The staff situation is not settled. There will be an Executive Director, and I believe that there will be an Associate Director for each one of the working groups or committees, as Paul has indicated. And then those are sort of senior policy-making staff, and then there will be other staff perhaps on detail from agencies and some support staff.

But I'm, as you know -- I'm not on Board yet. I'm not clear what our budget is, and I don't think we're going to have a large staff. We are basically going to have a core group of people -- I don't know how many -- and then we will reach out to agencies and to states and to the national science -- to the Ocean Studies Board and to anybody else in the states who are willing to help us. And I know I have a general knowledge of what you went through in California, and I would like to compare notes with you at some point as we get into this process.

MR. BAIRD: We'd be happy to help.

MR. TURGEON: Just to follow up on what Tom said by himself, I had a phone call today from the couple of people already in the Ocean Commission Office. They told me that when the public announcement out today that Tom was the new Executive Director. The 178 people that had submitted resumes for jobs called up and withdrew them, so --

MR. KITSOS: I'm alone.

MR. GALVIN: Pat Galvin from Alaska. I wanted to clarify that the Pew Commission schedule, that they did meet in Anchorage back in August, and so they made their rounds of the scheduled ones that they had already pre-arranged.

MR. TURGEON: The Pew Commission. I'm sorry. I knew that.

VICE CHAIRMAN BANINO: Any other questions? Well, Ken, thank you very much, and thanks very much to your panel. Certainly a lot going on, and I'm very pleased that this group and the affiliated group, the Scientific Committee, have been able to participate in supplying members, and are very pleased with that.

We're scheduled at this point to take a break. Originally we were scheduled to take a break at 3:00 o'clock. It is now 2:30. We have the Roundtable coming up, and I understand there are a number of issues that we have reserved for that time. So what I would suggest we do, if nobody has a problem with it, is that we take a 15-minute break now, and give ourselves a little bit more information for -- excuse me -- a little bit more time for the rest of the afternoon. So saying that, let's get back together at a quarter of 3:00.

(Recess taken.)

COMMITTEE ROUNDTABLE

VICE CHAIRMAN BANINO: Well, okay. We'll get started. We'll get started this afternoon. And I'm sure that the others will find their way in shortly. I should start off by reminding everyone as we get into the open discussion this afternoon, that everyone should speak into the microphone, state your name, and your affiliation. That will greatly help us, and if you don't, you will get a reminder I'm sure. So save yourself the reminder. As I said before the break, the last part of our agenda, as it normally is, is Committee Round table, and this is an opportunity for members to bring before the committee questions of general interest to the members.

And frequently we put down some of those kinds of issues that have been brought to the attention of the Agenda Committee. And as you can see on your agenda, we have basically one specific recommendation dealing with, broadly speaking, the future of the Subcommittee or the role of -- not the Subcommittee, the Committee -- the role of the Committee, and we're aware of a proposed resolution that has been passed out to you, so we have at least those two items to discuss this afternoon. And there may be others. If there is any action to be taken, we will need a quorum, if everybody who was here before the break comes back in, we will have a quorum, a bare quorum, but it will be a quorum.

To open up the discussion on the future role of the OCS Policy Advisory Committee, I had a discussion with our Chairman, Don Oltz, before he had to leave, that he wanted to me to just raise a couple of issues, that I think will help us in our discussion. It's clear that there are widespread and significant restrictions on potential offshore activity from around the United States, and many of the people here who represent the various coastal states are in a position where there is really not much offshore activity going on, particularly as regards to oil and gas. So that's -- that's reality that we have to live with, and how does that play into what we do. What is the possibility of that changing? I don't know that we have the answer to that, but it is something you might want to consider. As I understand the directive and as I understand MMS's reaction, or the reaction that MMS received to some possible studies, some information--gathering, there really is not even an opportunity to fund any studies in these restricted areas.

Another item that we have a -- a -- one standing committee, the sand and gravel and the hard minerals subcommittee, we have a natural gas subcommittee that presented its report, and we acted on that at the May meeting. And I guess one question they asked that certainly Don Oltz raised is what do we want to do with that Subcommittee? Do we want to retain it in some way or do we want to use it in some other way or what?

And then, one other item that I would add is that one of the very interesting things that was did at the last committee meeting in May was that every state representative gave what turned out to be a very interesting presentation on energy demand and energy expectations on each of their states, and you will find in your packets -- I'm sure you have found it -- a pretty good summary of everybody's statement. That was a lot of good work, a lot of hard work. And Don Oltz kind of challenged us to say, "What do we want to do with all of that? Do we want to put that in some kind of large matrix that we can use to, in a sense, add up the score on what people are expecting? Do we want to draw some conclusions to that? Do we want to draw some recommendations from that?"

These are just ideas. They're things that we may want to consider given the situation that we now find ourselves in. So with that, as a little bit of background, I would like to throw this open to any of the subcommittee members or staff, people sitting at the table here, to give some consideration on how to best utilize the -- the Policy Committee at this point. What do we want to do? I'm sure people have ideas.

MS. SHEAD: Shead, Environmental. I was certainly impressed by the discussion from the states discussion and wondered -- I don't have this written down or well articulated, so I may ramble here a minute, but I wonder if there is a role for this committee to work with the various states to develop a dialogue to talk about the role of the OCS in association with each state, you know. What are the impacts of development on those communities? You know, what are the opportunities for gaining further knowledge about the OCS off of these states, and to have the states take the lead within MMS and support in developing that kind of dialogue? And I don't know how the states might feel about that, but it was a thought that I had.

VICE CHAIRMAN BANINO: Linda, could you elaborate on that, how that dialogue might go?

MS. SHEAD: Okay.

VICE CHAIRMAN BANINO: Not to put you on the spot.

MS. SHEAD: This is off the top of my head, as I said, you know, I could -- if I were thinking about it, I might think that a state might identify the stakeholders that need to be involved in a dialogue; that -- that the states might identify for MMS the kinds of information needs that they perceive as being necessary to have a dialogue about the role of the OCS in their state. Does that help? I'm just thinking out loud here.

MR. KELLY: Paul Kelly, Offshore Support Industry. I'd like to hear how the states that are subject to the moratoria - and this is kind of carrying on from what Linda was just suggesting -- I mean, as we heard yesterday, the reality is that we have a 12-year moratorium that will overlap to MMS 5-year offshore leasing plans. I mean, do the states that are now included in moratoria areas feel like there is any purpose in continuing involvement with the Committee? Do you see some constructive things that can be done through ongoing participation activities along the lines Linda is talking about where we try to engage in some educational efforts that might lead to moving the program forward at some point? Or do you think that you're just spinning your wheels by participating in a program that's got no future in your states for, you know, maybe 10, 11, 12 years?

VICE CHAIRMAN BANINO: To try to keep this somewhat in line, and not to use Robert's Rules of Order -- let's respond to Paul's question, and then we will go on to some other questions that have been raised.

MR. VILD: Thank you. Vild, Rhode Island. Just a couple things: Number one, as George pointed out, there is a standing subcommittee of this Policy Committee that has to do with hard minerals and sand and gravel, so that's still very much on our agenda, and, you know, a lot of the states that are involved in oil and gas moratoria are facing those particular issues. So, I still think that's appropriate for states that are involved with, those with that particular issue, to be involved with the Policy Committee.

Secondly, as far as addressing the oil and gas moratorium specifically, I think participation on the Policy Committee is still worthwhile, and I would hope to continue to be involved in it, even though my state is under a moratorium. I've been involved with this particular topic for a little more than 20 years now, and I remember in the early years, where we had regional technical working groups, and they brought together stakeholders, and they did try to reach consensus on issues that were germane to a particular region, whether it was the North Atlantic, Mid-Atlantic, South Atlantic, or whatever. I think what we're going to have to do if -- if we're going to try outreach, we're going to try consensus building. We have to do it on a regional basis. We can't just do it with, like I say, the state of Rhode Island and then refer to the State of Massachusetts and try to tailor something specific to them, and so on.

I think if we could resurrect the old structure of the regional technical working groups -- and I guess we can debate just how formal we would want to make that -- but have occasional meetings of people who were involved typically in the old regional, technical working groups, I think we can actually make some progress in consensus building on a regional basis. Even though, you know, again going back to my experience, even though Rhode Island was kind of on the opposite side of everyone else in the North Atlantic region, the difference states, as far as our actual support for drilling, there were points of commonality that were reached, and we did -- we did actually, I think, attain consensus on certain things like lease sale stipulations, and buffer zone around sub-marine canyons and things like that that everybody could live with, Whether they were actually in favor of a lease sale or not in favor of a lease sale -- kind of a fall-back position if the lease sale were to proceed. So, yeah, I think there is a future for states that are under the moratorium, and I'd like to hear from somebody else -- maybe from the North Atlantic -- or from some of the other places.

VICE CHAIRMAN BANINO: To answer Paul's question -- Larry.

MR. SCHMIDT: Larry Schmidt, New Jersey. I believe that this committee has a lot of value to the states in moratorium, even though we're going to be non-players for the next 12 years, in that it becomes a conduit for information about oil and gas technology, environmental issues associated with oil and gas activities, and that in many states, where there is no activity, there is no knowledge. And a lot of times my office is called upon to, you know, work with our press office, brief people that go sometimes years without understanding the issues. And although we

can't change the political climate, I think we have an opportunity, as members of this committee, to take home messages that there hasn't been, you know, a major offshore oil spill since Santa Barbara in the 1960's.

People have a tendency to look at marine transportation and oil drilling and production as one and the same. So, I've always felt that the material that I take home from these meetings and put away in a filing drawer occasionally does have value in terms of educating people that want to be educated on the issues. So I think that it's an investment that -- that the Department of Interior has made. It's a lot better to have state representatives at the table than to go away for 10 or 12 years and then try and reeducate a brand new group of folk.

VICE CHAIRMAN BANINO: Thank you. To continue answering Paul's question, Brian.

MR. BAIRD: Mr. Chairman, Brian Baird, California. One thing I want to put in perspective: California, both on and offshore, produced about 26 billion barrels of oil since things started there, and right now, I suppose we could be certainly doing more but is about 800,000 barrels of oil per day that the state is producing, so, I think sometimes people walk away from this in terms of the discussion -- which seems to be exclusively or at least quite a bit -- centered around leasing activities. We have ongoing activities, and I think they're ongoing issues with those activities. As a practical matter right now, as Lisle discussed, we're working through a lawsuit right now. And I think the options of this lawsuit is either MMS will determine that they want to pursue an appeal, or they will decide they will comply with the findings of this litigation, or perhaps something else will be worked out. I don't think that is known right now, but it's definitely a fluid situation and one that I think is certainly going to have upcoming chapters, you know, in what we're looking at.

So, just from the standpoint of our ongoing operations that are out there from the existing production activities -- which I think will continue to have issues that arise, I think -- and other issues that were mentioned here, the Hard Minerals Committee, the discussions of transportation of liquefied natural gas -- which I certainly enjoyed since I did my thesis on that -- so this was something I hadn't discussed in 20 years, I think, and in the governance discussions today, I think all of those certainly have value. And so, you know, in terms of the moratoria and a position on the 5-year oil and gas programs, I can't say where we're going to be able to go on that because the State of California has had a pretty strong position on that, but I certainly think there are other issues, as well, that certainly can be discussed in this forum.

VICE CHAIRMAN BANINO: Okay. To keep this fairly open, let's make this the last response to Paul's question.

MR. HARMON: Harmon, New York. Just to build on the comment of our colleagues in those states, we've already discussed sand and gravel as a common issue for many of the states, including New York, and also beyond the strictly Outer Continental Shelf, production of oil and gas, certainly seen in recent meetings, other issues as LNG discussions of production and Nova Scotia, and -- and potential impacts of the North Sea, including pipelines from Nova Scotia. The committee provides, really, a two-way information exchange between our governors' offices, which I think is valuable. And, from our perspective, along with Pennsylvania, as they are producing, and California, as a producing state -- not in the same scale as California -- other discussions such as technical issues are of value to us as well.

VICE CHAIRMAN BANINO: I'm sorry, I was looking the other direction.

MR. KELLY: This is an interesting discussion. I think it is worth continuing. Thank you.

MS. EVAN: Evans, from Oregon. I think it is an interesting question, and I think a fair question to ask every now and again about who -- who should be in the conversation. And I agree with a lot of things that the other representatives of the states have mentioned, but I'd like for a moment to take the question and turn it around. What would be the effect of not participating? Or what would be the effect of receiving the message that we were not welcome at the table? I think there is a tremendous risk to the nation to send those kinds of messages that a particular entity, whether or not in this 12-year period, there is a moratorium on leasing or not, the exclusion of a party, I think, is a very bad message, and I think is a bad strategy. And I reflect on part of the message that Henry Groppe gave yesterday about we're members of a large international community. And these pieces fit together over time, in some very complex ways, and I think it is important, whether or not Oregon is in this particular 12-year plan, to be at the table, because it is a conversation that is bigger than 12 years, and it is bigger than the leasing strategy for the next 12 years. I guess that's what I would say. I think it is important, and I think it's important for a lot of very big reasons.

VICE CHAIRMAN BANINO: Donna.

MS. MOFFITT: Moffitt, North Carolina. I think we are saying that the moratorium is going to last until the year 2012. And we really don't know that that's the case. We get a different President; we get different things happening as a result of the terrorist attacks, and it could disappear overnight, really. And if we're not at the table, and we're all of a sudden going to be affected by additional offshore activities, it's then we've got a steep learning curve, because we haven't kept up with it. So, that would be one point that I would want to make. And the other point I want to make is, I don't necessarily feel like, as a state, that's covered by the moratoria we need to be here twice a year. I certainly would think we could pick up what we needed to know, as long as moratoria is in effect, once a year. We could be educated and brought up to speed, and perhaps in the interim, maybe you have a subset of the Policy Committee that meets with the states that have production going on. So, keeping us involved in some manner I think will keep us from the problem of having steep learning curves. And if something changes, you know, I have -- I feel for MMS in having to take care of all of us twice a year and pay our way, and cover our expenses -- because I have to do that for my Commission -- and if they are not productive, I resent having to do all that work and pay them to be at the meeting. So, that's just a suggestions I would throw out, that if you want to try to somehow reduce the amount of time that the states that are under moratorium are involved in this committee. You know, certainly I'm willing to say once a year probably I could stay up pretty well.

VICE CHAIRMAN BANINO: Pat. Back up.

MR. GALVIN: Pat Galvin from Alaska. I guess just following up on the way this discussion is going, it sounds to me that the issue isn't so much the question of membership in the committee, so much as the agenda at these meetings. And the relevance of the issues that we discuss to the participants who are participating in the meetings at the time. And particularly with Nan's comments or Donna's comments and -- the -- question of how these meetings are structured and items that are thrown on the table may be better tailored to the participants so that there might be a meeting that is more, the theme of it is along the lines of those that would -- those topics that would be of interest to the producing states as opposed to non-producing states, and then alternate that with a meeting that would have topics that would be of general interest to all the states. That might be one way to go. But, to follow up on the tenor of some of the earlier comments, I would like to return to some of the things that were mentioned earlier with regard to ideas on ways to return to discussions on and within moratoria areas of either structuring them along the lines of more local discussions, to bring in other stakeholders, or regional approach, to return to technical issues, and actually ask Carolita to talk about what you discussed yesterday in terms of the response that MMS received to just inquiring about doing a search, because it seems to me that although we continue as a group to return to wanting to come up with a structure that may provide the opportunity to have discussions sort of under the radar of this moratorium umbrella, that, it seems the political reality is that it's almost a pointless exercise because inevitably we are going to end up creating perhaps more resistance and creating more defensiveness to those who feel it is their obligation to predict. And so maybe ask really to talk about how far you think there might be room to work in that direction?

MS. KALLAUR: I was thinking when Bruce, you know, was talking about having regional groups together, and part of my concern, I think, is the underlying problem I think we face is that many of the moratoria states don't really see a need to develop new domestic service of oil and gas, and unless you address the fundamental issue of our energy situation, and people in the coastal states conclude that there is a need to look off their coast, I don't think you can really have an informed dialogue. Because I think they somehow will be very suspicious, similar to the way people were this spring, who somehow were trying slowly to open up these areas.

So I think in order to have the trust, that I think we need to have an informed decision, we have to deal with this question of our energy policy and whether or not people, after they're informed about things that are going on in the area of conservation, and some of the presentations we've had about future supply for oil and gas, whether or not they may -- I see that there is a possibility that down the road, even like similar to what Donna was saying before -- 2012, we might have to look at these areas, then, I think they come to the conclusion that there is a possibility that we may have to open up some of these areas, then I think they would be willing to have a discussion, but unless they come to that conclusion, I think we're just going to get a lot of political backlash.

VICE CHAIRMAN BANINO: I'll just comment to one point that Pat made, and that is to tailor some of these meetings to moratoria states as opposed to producing states. It seems to me we have a fairly diverse agenda at every meeting, and as we heard for some the folks here, part of that is just the educational component of what's going on. But if there are specific items that you think would be appropriate, or anybody here thought would be appropriate; for

example, maybe a more detailed discussion about why moratoria, or the history of moratoria or something like that, that might be appropriate, if somebody wanted to suggest that, it could be done.

MR. GALVIN: Actually, what my point was was not necessarily to have an agenda that's targeted to the moratoria states, it was more that there may be opportunities to have agendas targeted towards the producing states and a meeting in which the moratoria states are basically less interested because we don't have such a diverse agenda, and then have the more diverse agenda, the one that has the broader appeal, occur perhaps alternating along the lines of what was suggested before, so that the -- the moratoria states don't feel like they have to attend every six months in order to participate in these discussions. That the items they are interested in only show up annually, and alternately, more of a producing state agenda.

VICE CHAIRMAN BANINO: Thank you. We had a comment from Virginia.

MR. FELVEY: Felvey, from Virginia. I just wanted to reiterate what Bruce said earlier. I'd point out that the reason I'm here is the active hard minerals. And I also want to point out that -- that what other people said before me, there is a tremendous learning curve here, and we put a lot of time and energy in this, and I do agree with Donna, that we don't know, we assume the moratorium is there until 2012, but we don't know that with the climate the way it is today. And there are states in the moratorium areas who not necessarily support that moratorium. You heard from Georgia yesterday. So, I -- I feel like it's critical that we come to these meetings, and I appreciate -- well, I am speaking for Virginia -- Virginia appreciates being here at these meetings.

VICE CHAIRMAN BANINO: Thank you. Other comments.

MS. SHEAD: Just a last comment, that there might be some way to meld what we're hearing in terms of having an annual meeting from general interest and maybe not the other -- the semiannual one being producing states, but maybe that's where the regional issues come up. Maybe you do have a, you know, Pacific Northwest or Pacific, or, you know, Gulf, or Western Gulf, and North Atlantic meetings, to try to bring in other people and -- and -- and focus on what are the OCS needs and relationships of those regions.

VICE CHAIRMAN BANINO: Other comments. Bruce Vild.

MR. VILD: Thanks. And I still think original approach is important. It is a sort of thing where that, okay, well, if you don't have the regional meeting, how are you going to get the message out to the people who have to hear the message? I talked about the regional technical working groups as kind of a precedent, I guess, rather than a model that we would follow. We would not have perhaps the same people involved. I spoke yesterday about the need, obviously, to involve the congress people, because they're the ones who are driving this moratorium business. And I think they need to be educated as well.

MS. KALLAUR: Kallaur, MMS. You know, Bruce, one thing I think would be useful in the New England area, if the states agreed that a meeting would be helpful, in a sense, if almost you were to invite us -- I mean so, somehow we had a piece of paper saying you were interested in having us come up, talk about a variety of issues, then we wouldn't get this congressional backlash that somehow we're trying to invade your states and prophesize people and pass out all this information so we can open up New England for leasing. And you know the reaction we get when we do things. So somehow -- and I think even though with the underlying message in the Secretary's response, that if you want us to work with you, we will work with you. But you have to tell us that you want us to work with you. So in a sense, we need cover.

VICE CHAIRMAN BANINO: Yes. Virginia.

MR. FELVEY: Felvey, Virginia. I think that's a great suggestion. I -- we all -- I think all the moratoria states agreed yesterday that the climate, the way it is, you are exactly right in what you are saying, that if you mention it, everybody gets upset. But if a group of states went together and invited you in, then -- then maybe that would ease that burden on an individual state. And on you.

VICE CHAIRMAN BANINO: Alaska.

MR. AHMAOGAK: Mayor Ahmaogak, representing Local Government. I appreciate the opportunity to comment on this question that was raised regarding the moratoria of the other states. And I welcome, even though the discussions that are coming from the moratoria states. There was a group back in 1993 and 1994 moving -- Mr. -- Paul mentioned it earlier, moving from conflict to consensus. I read that report two times and it came out with some beautiful recommendations to make some actions, through legislative changes and so forth and providing for revenue sharing to deal with impacts, such things like that. And then there was a National Research Council that was done in 1994 again addressing the issue of social and cultural cumulative impacts, and to come up with some legislative language. The irony of this whole thing is these recommendations came out, but nobody followed up, and I think from our standpoint, and with respect to Minerals Management, with what they are trying to do, I think these recommendations need to be followed up, even if they had happened in 1993. Again, this is 2001. And the same issues are again right in front of us, although those recommendations came in 1993. Perhaps if some of these recommendations were followed up, things like moratorium would start slowing down. But not being from a moratorium area, and with suggested lease sales that are happening for 2002 and 2005, in Northern Alaska that the Alaska Regional Director, John Goll just told you, it's not fair to -- having to put up the risks of all of this resource development and the impacts that are associated and the funding that dwindles down for impacted local communities, doesn't, per se, get to the local sources where the real impact is at. And that's why I advocate for a lot of local government that, in their hometown communities, that these impacts are for real, and those recommendations ought to be followed up and through congressional measures and through Minerals Management, through the Cabinet, Secretary of the Interior. This OCS Policy Committee is made for a reason to make those recommendations, and you had recommendations, but they were never followed up. I would strongly encourage that. Thank you.

VICE CHAIRMAN BANINO: Thank you. Georgia?

MR. McLEMORE: I would like to make a comment. I'm Bill McLemore from Georgia. And we always have a divergent view. I've been a continuous member of this committee since 1983. I used to be handled by Governor's Office, but they lost interest in it, and their general opinion was that it really isn't relevant to us. But 1983, that's when they had the trip to Alaska to go up to the North Slope, so I volunteered my services for that and had a very enjoyable trip. Most of you don't even know who I am, although I've been a member here for 18 years. And I don't show up very much. When I go back, my comments will be to our department heads and to the relevant people in Georgia that this is an issue that we don't to have think about for a while. It's -- there are a lot of things going on, but it just isn't particularly relevant to us and we've got lots of other things that we have to do, and I get paid to do a whole bunch of things, and this is only a minor part of it. I think Paul Kelly has a good point. If we're going to have states that are going to be in long-term moratoria, the viability of this Policy Committee is questionable. If it is going to strictly stay with, you know -- with leasing issues and some technical issues, I would disagree that the learning curve is particularly long. I think I can show up here once every four or years and be fairly knowledgeable, and it doesn't look like it's changed since the last time I was here. The same issues are being discussed -- in fact, I think they're the same ones that were being discussed in '83. I think maybe, to make this a very viable committee, the -- the entire charge of the -- excuse me -- the Policy Committee -- needs to be reexamined. And, as I mentioned yesterday, if it's going to move into an area of national dialogue, to be informative to the entire country, and I think the Committee could be a very valuable organization. I'm a geologist, and it was certainly interesting to hear the -- you know, the technical discussions on geology, and LNG, and I appreciate that from a -- you know, from a technical point of view, but, you know, I don't need to do that twice a year. I can get by every three or four years. So I guess my recommendation would be that the fundamental mission of this organization needs to be reexamined into a larger scope, and hopefully bring about national dialogue. If that is going to be the direction, then we would want to participate enthusiastically. If it will continue as it has been in the past, we'll show up every three or four years, and go back and tell our governor, "Same ol', same ol'." Thank you.

VICE CHAIRMAN BANINO: Thank you. I would like -- if this is related to our discussion -- then I would like to raise. In one of the recommendations that we forwarded on to the Secretary, as a result of the meeting in May, was Item Number 6, which is very simple. It says "Encourage congressional funding for additional education and outreach regarding the leasing program." And the response from the Secretary was, "The Department is interested in working with the Committee on developing education and outreach opportunities. Please work with MMS, possibly as part of future committee deliberations to consider specific initiatives." Even during our most recent discussion, there has been talk about a national dialogue, outreach, education. I think there is -- it's obviously an important issue. It is obviously on our minds, and I wonder if we as a Committee want to take this up seriously, this offer to work with us, and offer to respond to one of our recommendations very directly -- If we as a committee want to take this up in any serious way.

MR. McLEMORE: Bill McLemore from Georgia again. Let me respond to that. Obviously you had the senior management of MMS who had access to the Secretary. I would encourage the senior management of MMS to discuss this matter with the Secretary whenever you have your scheduled appointments with her. The role of this committee probably is limited right now and should be expanded; at least, that would be our position on that. If it's going to stay a limited -- with a limited scope, then, as I mentioned before, we'll show up every three or four years, and unless -- and have a cocktail, but if it is a more comprehensive and a more substantive discussion, then we will participate more fully. And I guess that would be our position on that.

VICE CHAIRMAN BANINO: One of the suggestions, or several people have made suggestions in this regard, that a small working group or subcommittee be set up to look into this issue, not necessarily to come up with specific recommendations on what we should do, but to look into this issue, work with the MMS staff, and see what it is that it's reasonable for us to consider doing. Donna.

MS. MOFFITT: Moffitt, North Carolina. I think that's a great idea. And -- and if that comes to pass, I'll be happy to volunteer to be on that subgroup. Education and outreach has really got to be done, but it takes a concerted effort. It takes two or three years to get through the consciousness of the public. And Carolita has already said that when MMS tries to take the lead on something, you get pushed back very hard by congressional members. It might be that you become the background player, and you let the Department of Energy take the lead, and you know, you support them in a hard-hitting education and outreach effort and just hit it hard for two or three years. That's really what it takes. All kinds of public information, in all kinds of ways and formats, and maybe you get a less threatening group like Energy to be the forefront people to do that.

VICE CHAIRMAN BANINO: Yes.

MS. JOHNSON: Actually coming from the Department of Energy -- Johnson, Department of Energy -- I think that does have some merit, but I think there is great value also to this group in terms of its participants. We would certainly be willing to, you know, participate in any subcommittee that you all would form to look at education issues and try to figure out for ourselves, you know, what DOE's role is. I'm sure Minerals Management Service, you know, would be need to looking at what their role would be. And I would hope that individual states, again, as part of the committee, the full committee or the subcommittee, could see a role for themselves in some kind of national effort.

VICE CHAIRMAN BANINO: Major Oil.

MR. CARLTON: Carlton, Major Oil. I also think that this is an excellent idea. I think we're very much in favor of education and outreach. With respect to the future role of the committee, if there is a subcommittee, I would also like to volunteer participation along those lines and happy to work towards those goals.

VICE CHAIRMAN BANINO: Yes, Pat.

MR. GALVIN: I guess the experience that we had on the Natural Gas Subcommittee was, to some extent, the recommendation that came out that -- that created the stir, as it were, was actually -- and it's something that was a product of discussions about education and outreach being the key to potentially overcoming the moratoria. And the interesting part for me is that what ostensibly was merely a recommendation that there be an opportunity to educate the local population within areas that may be affected by oil and gas, development of the OCS, that was being recommended by this -- actually a subcommittee of this body and then adopted by this body in May, was itself greeted with defensiveness and skepticism and alarm. And so that, I guess, raises in my mind the extent to which this body would be effective in buffering the reaction that people give to MMS when MMS begins to have those discussions. Because when we even just tiptoed and stuck our toe in the water in that regard, it came back with this -- this very aggressive backlash, both within Congress, within the press -- in a variety of areas. And so, although I think that we would like to think that this body could be seen as a representative body of the states as well as other interests in the OCS, I think our experience last year indicates otherwise.

VICE CHAIRMAN BANINO: Is it the consensus of the Committee here that we establish a subcommittee regarding education and outreach to look into possibilities? That seeming to be the consensus, I'll refer this back to our Chairman, who has the prerogative, after establishing and naming members -- and I heard a few volunteers for that

already -- and if there is anybody else that would like to participate in that, I think probably the best thing to do would be to get in touch with Don Oltz directly or certainly with one of the staff members and make your wishes known. And the second thing I would add is that having heard these comments about the future of the sub -- of the committee and its activities, a lot of these seem to focus on, if you will, the agenda: "What are we going to be talking about? And in what framework are we going to be talking? Is it going to be national? Is it going to be local? Are they going to be moratoria oriented kinds of discussions, et cetera?" And I would suggest that we take these comments and again bring them to our Chairman and bring them perhaps to the Agenda Committee to see if we can't come up with a discussion where we can develop some ideas and bring them before this Committee and see if we can't look at how we're operating, how we want to go, if that makes sense. Okay.

The reason I tried to close that topic up a little bit is because we do have an additional topics, at least one more additional topic -- there may be others -- that I want to take up. And that is the proposed resolution that was prepared for our comment and possible action by Mayor George Ahmaogak. And yesterday, at the close of the session, he gave his presentation. Now, I -- there may be a little bit of confusion. It is important to unravel that confusion right away, and that is that you received a proposed resolution earlier today, and then there was another one that you found on your table this afternoon. And the one -- the way to tell which one we're dealing with is to look at the third page, if you will, or the second page of the resolution, and the one that we're dealing with -- I'll hold it up. It goes down about three-quarters of the page, the last page of the resolution, whereas the initial resolution just went down -- barely down half of a page. So, and to help you further, the statements are, "Now therefore be it resolved," followed by statement, "be it" -- "be it further resolved." So that's the -- the resolution that we're dealing with.

UNIDENTIFIED VOICE: We didn't get that.

VICE CHAIRMAN BANINO: You didn't get the latest version? Can I ask a staff to make sure that everybody has that latest version? While we're waiting for that to occur, Mayor, would you like to add to your comments?

MR. AHMAOGAK: Yes. To try to clear up the confusion and changes that took place on the latest resolution that's going to be coming at you, let me read it with the changes that have been placed. "Be it further resolved that the OCS Policy Committee hereby recommends and requests that the Secretary of Interior identify sources of funding through the Department of Interior to serve as support for local communities affected by the new 5-year OCS leasing plan, 2002-2007, or by ongoing OCS activities under prior plans." Now, here is the new section. "To assist in funding their participation in the public review of" -- that is the new section -- "impacts of OCS oil and gas activities, including the need to interact with Minerals Management Service," a new section that reads now, "and private industry." That's the new section, "and private industry on matters related to these activities, and that the Secretary continue to make such funding available until such time as U.S. Congress is able to enact legislation addressing impact assistance and revenue sharing on a consistent and sufficient basis." Mr. Chairman.

VICE CHAIRMAN BANINO: Thank you. With that, I'll -- you still don't have it?

(Discussion off the record.)

VICE CHAIRMAN BANINO: I don't believe anybody has the language you just read to us.

MR. AHMAOGAK: Okay. I'm sorry. Our apologies. Maybe we didn't draft -- make these available with the way the current language that was written earlier. That's why I wanted to propose to see, now that you don't have it, those amendments to this resolution. If it's possible, Mr. Chairman, I would like to move that we amend this resolution to include, "to assist in funding their participation in the public review of the impact." That's the new amendment. And also to insert, "including the need interact with Minerals Management Service," and the new addition is, "and private industry" -- to add on "private industry."

VICE CHAIRMAN BANINO: I understand a copy is being made right now, so -- we have an updated version being preparing right now, and hopefully we'll have that shortly. Therefore, there is certainly no reason to have a motion to amend since we don't have anything to amend at this point. There is one other thing I have to point out is that we did lose one member to the need to fly out here, so we no longer have a quorum, so we cannot take an official action. But I do think that this is important enough that we should have a discussion on this proposal, and while we're waiting for the final wording, I think we should open the discussion up. Mr. Mayor.

MR. AHMAOGAK: For discussion purposes, I'm asking the Committee, OCS Policy Committee, to pass the resolution before you for two reasons: First, the resolution that we passed in May was based on recommendations from the Natural Gas Subcommittee. Therefore, those recommendations could be read as applying only to offshore natural gas development. However, certain of these recommendations, the ones noted in the Resolution before you, apply equally to offshore oil development. To avoid any confusion, I would just like to clarify for the record that this Committee intends for the recommendations from its May Resolution, last May, that are noted by paragraph -- paragraph number -- in the current Resolution to apply equally to offshore activities related to oil as well as to natural gas development. Since there is so much support from the members of this Committee for these recommendations, during our consideration of the May resolution, I would expect that the Committee should be able to agree to this point.

My second reason for putting this resolution forward is this: We all know that the CARA bill has become so weighted down by claims from special interest groups -- many of whom have nothing to do with impacts from OCS Development -- that it is probably going to take a lot of work and cooperation from all of us to finally get that thing passed through Congress. Congress passed a one-time appropriation last year, called it CARA Light. And even though there is no new development off the coast of California because of existing production, California got most of that money. By the time California took the biggest share and the remainder got carved up for everyone else, there was only enough left for us on the North Slope to fund some research on Bowhead Whale feeding, 1.9 million dollars. That's it. And we can't tell you -- we can't tell that there is anything else on the horizon, as you just heard the legislative report that was given to us today, until the regional CARA bill gets finally passed. Not only that, but now with the national security emergency that our federal government is having to focus on now, work on the CARA bill is going to end up taking a back seat. In the meantime, Minerals Management Services is issuing another 5-year Outer Continental Shelf Leasing Plan focusing only two areas of the country: Alaska and the Gulf of Mexico.

In fact, Minerals Management Service is in such a hurry to get this plan out that they have already issued Public Notice on three Beaufort Sea lease sales under the plan before they even have the plan finalized. So while all of the other coastal states keep their waters closed to OCS development under moratorium, and while the special interest groups fight over the CARA money that were supposed to provide impact mitigation funding to our states and local communities, Alaska and the Gulf of Mexico are getting stuck with the OCS development with no impact mitigation funds. I believe that is not fair. For those of you from states whose waters are closed, under moratoria, and if you were in our shoes, you would also say, "That is not fair." And you would want support from this Committee to try to help your people back home.

When Congress passed the Outer Continental Shelf Lands Act, it recognized right up front that states and local governments were likely to require assistance in dealing with adverse impacts from Outer Continental Shelf Development. And Congress gave the Secretary of Interior the responsibility for administering the offshore leasing program, including mitigation of impacts. On the North Slope of Alaska, we are very self-sufficient people. To survive as a subsistence hunter, you have to be self-sufficient. So, for all these years, we have shouldered the burden of OCS impacts, including assistance to our residents, environmental research, peer review of federally-funded research -- some of which has already been -- have been done pretty poorly -- including negotiating with oil companies to try to reduce impacts, and on and on and on.

We've never looked to the Minerals Management Service for help before. But now our funds at the local level are drying up. We got -- we got very little revenue from the OCS development, and there are some people in our state legislature who keep trying to take that away with what little we got; in other words, we got a hostile legislature attack in rural parts of Alaska, subsistence being one of those issues. The Secretary of Interior is issuing a new 5-year oil and gas lease plan that will have impact on only six states, and I count them: Alaska, Louisiana, Alabama, Mississippi, Texas and Florida. In the Draft Proposed Lease Plan, it says, under the section of Environmental Justice, that Alaska natives may be disproportionately affected by activities under this new plan. But these effects will be substantially, not completely, eliminated by avoidable mitigation measures.

Ladies and Gentlemen, I'm here to tell you that there are no mitigation measures. Minerals Management is funding some of the studies as called for under the Outer Continental Shelf Act to manage and to study impacts. But studies that Minerals Management paid for don't mitigate adverse impacts. We all know that. Information from the studies to get baseline data might help in the design of future mitigation measures. But doing studies does not mitigate the current impacts that we're experiencing. We're being hit very hard by this OCS development. Even Minerals

Management has recognized that our communities will suffer disproportionate impacts when compared with all communities and all of the states.

We have a subsistence culture. Our people are different; our relationship to the environment is different, and this OCS activity is happening right where our most important subsistence hunting takes place; in other words, right on our dinner table. This is making life very hard for our people in many very -- in a lot of ways. The impacts are there, and we have to deal with them every day. We need impact assistance, and the only way that is going to happen in our current political environment is if the Secretary of Interior steps up and makes it happen.

Therefore, since the Secretary is going forward with this lease plan, even though there is no impact assistance funding currently in place, the Secretary needs to take responsibility for providing some impact assistance funding. I know our friends from the Minerals Management have worked with them for many years, including John Goll over there -- that the secretary can't do this. But I've looked at the OCS Lands Act, and I know the Secretary of Interior can. She has a very broad grant of authority to manage the offshore leasing program. And there is nothing in that statute, the federal statute, or anywhere else that prohibits her from providing impact mitigation assistance.

This Committee's job is to make recommendations to the Secretary of Interior. I ask you to support us in recommending to the Secretary that she recognizes the disproportionate impacts being placed on the communities and the states affected by the new 5-year OCS leasing plan. And that she recognizes the political and financial reality faced by these communities and their states. There is no impact assistance funding coming from CARA anytime soon. You've heard the legislative report this afternoon. Therefore, we need to use her authority under the OCS Lands Act to help the states and the local communities affected by these new lease plans.

I took the liberty to get information from my Grants Division from the North Slope Borough, from our Grant Manager, just to give you a historical perspective on funds that have been passed out from CARA. And as a result of the Coastal Impact Assistance Program, and I'm just going to summarize to you what that kind of activity has been. The North Slope Borough does not receive its fair share under the past CARA calculation resulting in 1.939 million dollars for the North Slope Borough for the following reasons: The context of the Coastal Impact Assistance Funding for Alaska State and municipalities was 1.9 million for the North Slope Borough; 2.5 million for other subdivisions total; 7.9 for the State of Alaska, some of which will be a grant program; 12.2 million total for the Coastal Impact Assistance for Alaska.

Overall, the OCS funding that came to Alaska was 12 million for the Coastal Impact Assistance in Alaska; the North Slope Borough share was only 1.9 million. 510 million State of Alaska Boroughs, OCS Lands Act, was Section 8(g); 28 million, Land and Water Conservation Funds only goes to parks; 10.6 million, National Historic Preservation fund; about 40,000 dollars more for Whaling Museum -- I'm led to believe that's in New Bedford. 2.4 million for Tribal Preservation Fund. Total, 566.64 million for the State of Alaska.

The main points that I want to bring out from the 12.5 million Coastal Impact Assistance Program is that the formula was not equitable. Within Alaska, the formula for the North Slope Borough and municipality that I represent was based on this: 25 percent of the miles of coast line; 25 percent of the coastal population, which you know our population is very low; 50 percent proximity to offshore production.

This morning you just heard the first offshore production coming on line. So you can see there is no equitable funding coming to our municipality. And our municipality is having to deal with these impacts and having to pay for them. I'll give you an example: Our people are relying on subsistence whaling, and they are going to have to go out to go whaling. As a result of seismic and offshore activities, they have deflected the migration of these Bowhead whales that the people depend on. So when they are out there going further and further out from the migratory route, they certainly run out of gas, or they get lost. Who has to go deliver gas, and who has to go find them?

The North Slope Borough dispatches its Search and Rescue and utilizes local sources of funding to dispatch that. That's a cultural impact resulting from OCS. We're using local source of municipal money to go look for these poor souls a result of something that didn't happen on their own from OCS activities. That's a cultural impact, social impact. You've heard about the Northstar being constructed. Time and time again, when the Environmental Impact Statement was given for Northstar, for development and production, social impacts was addressed over and over by many of our residents, unemployment being one of those social problems.

And yet, BP turned around and dispatched from the Union Hall 4,000 people that were coming to the construction site. Not one iota of one local hire. These are the very things that these people are saying that you've got to address these impacts. And we're -- very right now, with our budget limitations of the North Slope Borough, I cut our operating budget 7.5 million dollars last year in our operating budget. I'm going to cut 5.5 million this coming year. And when I see those impacts as a result of OCS coming near me, I'm not going to address them. That's where the responsibility lies at this stage, and that's why we're very serious, no matter what happens.

The CARA bill is there; it's not working; it's not trickling down to us; no funding available in the near horizon to deal with these impacts that are there. There were certainly some good recommendations, but they've never been followed up, like moving from conflict to consensus. No legislation was ever there. One of the suggestions was, "Let's deal with these impacts and provide for revenue sharing." Nothing happened to that. Here we are in 2001, and the same issues are all over, right back here again, in this Committee.

So I ask for your support in this resolution. I don't know what I'm going to do if this resolution doesn't pass but go home in depression, because we have tried so hard requesting help for you people to understand that we're the ones that are bearing, at the local level, the impacts as a result of this Outer Continental Shelf. I'm talking about Northstar and Liberty, that you heard, from past OCS lease sales that took place, and here we got 2005 and 2007, new oil and gas leases. So you can see, I see some trouble coming ahead, some problems, and until we get the grips of this problem, I'm here to work with Minerals Management and this Committee. By God, I believe in the system. And I want to work with the Congressional Delegation, but it's a plea for help for everybody to come and help us.

I'm not putting anybody down. I don't want to. I want this to be a win-win situation, and I want to work with you all. And I want to work with Minerals Management and the Private Industry. I'm just barely hanging on, but if we get a negative vote on this resolution, my residents of the North Slope Borough certainly will go on the stage of depression, anxiety, stress. And I hate to report that. Thank you, Mr. Chairman.

VICE CHAIRMAN BANINO: Thank you, Mr. Mayor. I appreciate your comments very much. The reality is that we do not have the ability to act on this resolution today. However, I do think it's an important issue, and I do think that it is appropriate to get the sense of the Committee, to get some comments and open this up for discussion. Jerome.

MR. SELBY: Selby, Local Government. Realizing that, Mr. Chairman, it seems, though, that there are a couple of things. First of all, I would just like to comment that with regard to the first, "Therefore be it resolved," or, "Be it resolved," whichever -- however it states it, that the four paragraphs that are identified there basically deal with the leasing process. And it seems to me that when we -- we didn't differentiate gas leasing versus the normal -- normally when we talk about the leasing process, we are talking oil and gas. So I think that, even though the resolution has gas on the heading, because we were dealing with natural gas in the Committee, and the action was taken on May 24th, the four items that were under discussion talked about the leasing process. And I guess my question -- my question for the staff would be, is that -- and I would hope, and it occurred to me that we're a little bit out of sync here with -- in terms of the new 5-year leasing schedule, because it seems to me that some of the information that we have in the resolution probably should be reflected in the new 5-year leasing plan. And I was wondering if we couldn't just simply ask the staff to make sure that those items that deal with the leasing process out of the May 24th resolution, can they not be incorporated into the 5-year plan at this point as part of the finalization of that plan?

MS. KALLAUR: Yeah, we can clearly -- Kallaur, MMS -- we can clearly consider these recommendations in the final version of the 5-year plan. And, Jerome, you are right that, in terms of the process, we look at oil and gas. We don't separate the two. So we will do that.

MR. SELBY: So, in effect, then, Mr. Chairman, I think that the, "Therefore be it resolved" can be accomplished -- can act by incorporating those four provisions into the plan, the 5-year plan -- and there may be others currently -- I'm not sure. Certainly these four, and there may be -- and, I mean, you folks need to figure out if there are more. Clearly a couple of the ones in the May 24th resolution aren't applicable, in my mind, at least. Where we talk about it being outside the purview of the Committee, Item 13, for example, I certainly wouldn't expect you to have anything about that at all in the 5-year leasing plan.

MS. KALLAUR: Clearly those things that deal with process, we're in the -- we are looking at all of our processes. I know that John Goll has been in dialogue with the North Slope Borough, but trying to improve the decision-making process on Arctic sales already, and we can reflect whatever has been achieved in the 5-year plan. Things we can't deal with are things that require money that Congress does not appropriate. Those are really our limitations.

MR. SELBY: But, Mr. Chairman, if I can continue, just a follow-up on that. It would seem to me, though, Carolita, that the Policy Council did adopt this resolution on May 24th. Granted, it was oriented towards natural gas, but some of these middle sections deal more with the process itself. That we -- we -- could the staff reiterate to the Secretary that there is a desire for her to, you know -- and obviously she can't do this on her own I don't believe. I think she has to have congressional help to come up with like these mitigation measures and funding. You know, we've made that recommendation. I'm assuming that she could proactively go out and work with Congressman Young and Senator Stevens, some of these folks to accomplish that or --

MS. KALLAUR: No. In terms of the way our process works, the Secretary of Interior submits a budget to OMB; OMB decides whether or not they like it; they get back to us; they tell us if they like it; and then the final decision is a decision of the President when he announces the budget. And it is normally in January. And the Secretary cannot independently go and speak with congressional offices about measures that are not included in the President's Budget.

MR. SELBY: Okay. But that brings me really -- right now, the next two or three months, is when the departmental budget will be completed, correct?

MS. KALLAUR: We have already proposed our budget for 2003, and we received some guidance from OMB, and then we send something back to them, and they will report back to us after around Thanksgiving. And then they will put together a final budget that the President will announce in January.

MR. SELBY: Okay, so, assuming that goes through, that is the 2003 budget?

MS. KALLAUR: That's correct.

MR. SELBY: Okay.

VICE CHAIRMAN BANINO: To follow up, Jerome, initial comments, though, Paragraphs 5, 6, 7, and 8, since they refer to a process and that process deals with both oil and gas, in a sense, the applicability of those paragraphs to OCS oil is already taken care of.

MS. KALLAUR: That's correct.

VICE CHAIRMAN BANINO: If you incorporate that into your 5-year plan --

MS. KALLAUR: The one that deals with funding is Number 6, to encourage congressional funding for additional education, outreach regarding the leasing program, that's a funding initiative. The other ones are more of a, you know -- those things that are process initiatives, we can deal with. Those that require funding unless it is a decision of the administration to submit to Congress, requests for that funding we can't deal with.

VICE CHAIRMAN BANINO: Pat Galvin.

MR. GALVIN: Just to clarify -- Pat Galvin from Alaska -- Carolita, when you talked about if it is not in the budget, then you are not able to do it, I guess having to work with my own budget, you've got, I assume, line items in your budget that deal with the amounts, the public outreach, and the public review of the 5-year plan?

MS. KALLAUR: We don't really have line items that deal with outreach. We do have monies that support the work of our regional office in holding public hearings, and paying visits to localities, and things; we do have support for that in our budget.

MR. GALVIN: And in the limitations that exist for the expenditure of those funds to support the outreach associated with the 5-year plan, would you have discretion to use it both for getting out to places, but also to support people getting to wherever you hold the meetings?

MS. KALLAUR: Yeah. We do not have monies in our budget that will allow us to give money to communities to pay for their participation at the meetings. I mean, at times, we have monies in our Studies Budget that can do certain things, but it's really the way Congress has appropriated the money, it's not really to pay for participation in the process. Because I'm assuming, though, what you are asking for, would we have money to give to the North Slope Borough so that they could participate in the meetings we hold in the Borough, to pay for their travel and other expenses? Is That what you are asking?

MR. GALVIN: Well, yeah. Not necessarily just the North Slope Borough, but I think what Mayor Ahmaogak is concerned about is, as much, the villages that would be impacted because the villages themselves don't have the wherewithal necessarily to get to an Anchorage meeting or to -- even a Borough meeting?

MS. KALLAUR: Well, normally we try to go to the villages themselves, even to smaller villages, to make it easier for the people to participate. But I also think what the mayor was asking was for something that was something beyond that. Would we be able to give money to compensate for impacts, if, you know, speaking about the stress it has caused by offshore oil and gas activity, would we have money that we could actually pay to some of the local communities to deal with some of these problems, and we clearly do not have monies in our budget to do that.

MR. GALVIN: Right. I think, from what I gather, from the most recent revision that was made, it seems that the language of the resolution has been clarified to identify that they're seeking funding to assist in funding their participation in public reviews as opposed to funding the actual impacts.

MS. KALLAUR: Uh-huh.

MR. GALVIN: And so, that was the source of my question: Is if we are talking about trying to find ways to, I guess, better effectuate the local involvement in the MMS process, that it seems the logical approach is to sort of a two-way approach, that you're trying to get the process to them. But, in rural Alaska, that may not be the most effective way, and perhaps getting some of them to be able to come to a meeting may be just as valuable or maybe even more cost effective. And so, I guess my question is, in the discretion that exists within your spending authority, would you have the ability to look at those types of opportunities?

MS. KALLAUR: I don't believe we have that discretion, but it is something we can look into because clearly, it is not something that we budgeted for.

MR. GALVIN: Right. And I guess that would be my suggestion is, that rather than bringing the whole --

MS. KALLAUR: We don't bring the whole MMS into Nuiqsut.

MR. GALVIN: Right. But there is a certain amount of infrastructure that has to go along with these meetings, and in fact, actually having participated in many of these meetings, what is happening often is the more substantive and more interesting discussions occur in the Anchorage meeting place because you have all the agencies that are sort of going back and forth on various issues, but then when you bring that discussion up to Nuiqsut, you get just one or two MMS people out there saying, "Well, what do you guys think?" And it would be, I think, from my experience, a more valuable opportunity to bring a representative of the village, and have them be able to come to the more substantive, involved discussions. And that would be my suggestion.

MS. KALLAUR: Okay. Thank you.

VICE CHAIRMAN BANINO: We have -- do you want to add anything?

MS. KALLAUR: No.

VICE CHAIRMAN BANINO: We have another coming from Jerome Selby.

MR. SELBY: Selby, Local Government. Just, it seems to me, Carolita, that there is three things: One would be request the Secretary that they look within the current budget to see if there is some latitude there in terms of discretionary use of money. Secondly, it would seem to me that you folks are going to -- she and you folks will be starting to prepare the 2004 budget here real soon, and so certainly the recommendation from the May 24th resolution, we would like to reiterate that back so that the Secretary and you folks would take a look at that in preparing the next budget cycle, since what you are telling me, in effect, is that we have already missed the 2003 one, for you folks at least, in terms of submitting the budget into the -that the President will send to the Congress. And then, which then brings us to the third point, which is the important one I think for George and some of the other folks here is that if they're going to impact the 2003 budget, it is going to have to be done from the congressional side of the budget discussion because it has already passed you guys in terms of having input from you or the Secretary. It's gone to the President, so it is really going to have to happen at the congressional level.

MS. KALLAUR: No, I think that's correct, but one thing I'd also like to reemphasize. The budget is much tighter right now because of the expenditures we have on the military front, and I think even the Hill is going to face that. I mean, we're about to engage in deficit spending, and I think it's going to be very hard. It is just like the discussion the Mayor had about CARA. It is going to be a much tougher, you know, decision to go forward with CARA right now because of the significant expenditures we have on the military and internal security front.

VICE CHAIRMAN BANINO: Other comments? Mr. Mayor, as I said, we don't have the ability to -- to accept a motion or act on a motion, certainly this afternoon. But there have been some suggestions made. I think no matter what we did, there would not be the ability to do anything that would provide you immediate help in the next few months as we go into these various budget cycles. And I think it might be appropriate between now and the next meeting to take some of these concepts, such as Mayor Selby put together, and see if we can't put those into some direct recommendations that we can consider.

MR. AHMAOGAK: Thank you. Mayor Ahmaogak, Local Government. I really understand that we don't have enough votes here to act on this resolution, and that if we deliver a powerful message that we do have a serious problem on our hands, and I think it is going to -- asking for this Committee to understand where we're coming from, and that it is real. And we need to do something about it, and although we can't take any action, I think I got my message across. Thank you.

VICE CHAIRMAN BANINO: I think you have given us a powerful message. Thank you. Are there any other comments or items to be brought before the Policy Committee? Is there any other business?

MS. KALLAUR: Kallaur, MMS. I would just like to thank everyone for their participation, particularly those who have stayed to the very end. I mean, it is always very instructive to MMS to have you at these meetings, and we appreciate you taking time from your personal lives to help us manage our program.

VICE CHAIRMAN BANINO: Other comments? Do we have a motion to adjourn?

(Discussion off the record.)

MS. KALLAUR: We don't have enough people. We can't adjourn

VICE CHAIRMAN BANINO: We will suspend adjournment. Thank you.

(Meeting adjourned at 4:15 o'clock p.m.)